DOCKET NO.: A.20-04-023

EXHIBIT NO.: A4NR-1-PUBLIC

DATE:

WITNESS: John Geesman

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

TESTIMONY OF JOHN GEESMAN

ON BEHALF OF THE ALLIANCE FOR NUCLEAR RESPONSIBILITY

("A4NR")

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I. INTRODUCTION.

Q01: Please state your name and business address for the record.

A01: My name is John Geesman, and my business address is: Dickson Geesman LLP, P.O. Box 177, Bodega, CA 94922.

Q02: Are your professional qualifications included in your testimony?

A02: Yes, my professional qualifications are contained as an Appendix to my testimony.

Q03: Was your testimony prepared by you or under your direction?

A03: Yes, it was.

Q04: Insofar as your testimony contains material that is factual in nature, do you believe it to be correct?

A04: Yes, I do.

Q05: Insofar as your testimony contains matters of opinion or judgment, does it represent your best judgment?

A05: Yes, it does.

Q06: What elements of your professional qualifications make you well-informed on the issues raised by PG&E's application?

A06: I was an investment banker for 19 years in the U.S. bond markets, serving as a financial adviser or underwriter on various transactions to most of the major municipal electric utilities in the western states. I held senior level positions at the California Energy Commission, the California Power Exchange, and the California Independent System Operator for 15 years. For the past 9 years I have provided legal representation and expert testimony in numerous proceedings at this Commission.

Q07: Does this written submittal complete your prepared testimony and professional qualifications?

A07: Yes, it does.

Q08: What is the purpose of your testimony?

A08: The purpose of my testimony is to provide evidence concerning certain legal, financial, and factual aspects of PG&E's securitization application. Except where otherwise specified, my testimony uses the name "PG&E" to include both the holding company and the utility. For ease of review, I have organized my testimony as responses to the issues identified in the Assigned Commissioner's Scoping Memo and Ruling (which appear in bold-faced type below) and utilized the same numbering system as the Scoping Memo.

II. SCOPING MEMO ISSUES.

1) Whether under D.19-06-027, PG&E has met its burden to demonstrate that it is eligible to access and has satisfied the Stress Test developed pursuant to Section 451.2(b), including:

a) Whether PG&E's application satisfies all applicable legal requirements.

PG&E's application is an impermissible collateral attack on D.19-06-027, Ordering Paragraph 3, which states: "An electrical corporation that has filed for relief under chapter 11 of the Bankruptcy Code may not access the Stress Test to recover costs in an application under Public Utilities Code Section 451.2(b)." As applied to a post-bankruptcy PG&E, the rationale for the D.19-06-027 proscription is unmistakable: "Any reorganization plan of an electrical corporation in a chapter 11 case confirmed by the Bankruptcy Court and approved by the Commission in the future will inevitably address all pre-petition debts, including 2017 wildfire costs, in the bankruptcy process."[1] As the Bankruptcy Court's Confirmation Order for PG&E's Commission-approved Plan of Reorganization states:

> The resolution of these proceedings **<u>provides funding or establishes reserves for, provides for assumption of, or otherwise provides for satisfying all prepetition wildfire claims asserted against the Debtors in the Chapter 11 Cases</u>** in the amounts agreed upon in any pre-insolvency proceeding settlement agreements or any post-insolvency settlement agreements, authorized by the Court through an estimation process or otherwise allowed by the Court, in satisfaction of California Public Utilities Code section 3292(b)(1)(B), enacted through Wildfire Legislation (A.B. 1054), through the payment of the consideration on account of the Fire Victim Claims as provided in the Plan and in the Tort Claimants RSA, payment of the consideration on account of the

[1] D.19-06-027, p. 45.

Subrogation Wildfire Claims as provided in the Plan and in the Subrogation Claims RSA, and payment of the consideration on account of the Public Entities Wildfire Claims as provided in the Plan and in the Public Entities Plan Support Agreements, in each case in restitution and **in full and final satisfaction, settlement, release, and discharge of such claims.**[2] (emphasis added)

As PG&E acknowledged upon the Effective Date of its confirmed Plan of Reorganization:

(T)he Plan and the Confirmation Order provide that the **sole source of recovery** for holders of Fire Victim Claims shall be from the Fire Victim Trust, and the sole source of recovery for holders of Subrogation Wildfire Claims shall be from the Subrogation Wildfire Trust. The holders of Fire Victim Claims and Subrogation Wildfire Claims shall have no recourse to or Claims whatsoever against the Debtors or the Reorganized Debtors or their assets and properties. Consistent with the foregoing and as provided in the Plan and the Confirmation Order, all Entities that have held or asserted, or that hold or assert any Fire Victim Claim or Subrogation Wildfire Claim **shall be permanently and forever stayed, restrained, and enjoined from taking any action for the purpose of directly or indirectly collecting, recovering, or receiving payments** …[3]

Rather than abide by D.19-06-027, or defer filing an otherwise null and void regulatory application until the Commission decides the previously filed request for rehearing that decision, PG&E seeks to turn the SB 901 Stress Test on its head. Instead of the anticipatory inoculation against insolvency intended by the Legislature, PG&E's application would re-engineer the discretion Cal. Pub. Util. Code § 850.1 affords the Commission (to authorize securitization financings of 2017 wildfire costs) into a post-bankruptcy booster shot by converting fully discharged claims against shareholders into long-term obligations of ratepayers. PG&E's desire to discretionarily use securitization to convert permanently resolved shareholder obligations into ratepayer liabilities should be viewed through the lens of a core objective of the Stress Test Methodology: "to encourage utilities to maximize the share of

[2] U.S. Bankruptcy Court Confirmation Order, ¶ 4(b).
[3] PG&E Notice of Entry of Confirmation Order and Occurrence of Effective Date, ¶ 4.

disallowed costs they absorb and ensure utilities view the Stress Test as a financing mechanism of last resort."[4]

In exercising its own discretion, Cal. Pub. Util. Code § 850.1(a)(1)(A)(ii) requires that the Commission determine that such bond issuances and the imposition and collection of fixed recovery charges ("FRCs") are just and reasonable and in the public interest. I discuss these legal requirements under Topic 5 below. The legal requirements imposed more broadly on PG&E's proposed securitization by AB 1054 are discussed under Topic 3 below.

b) Whether the Commission has sufficient information to determine the financial status of PG&E.

With considerable assistance from D.20-05-053, PG&E has successfully exited Chapter 11 and regained access to the capital markets on terms that it asserts have materially reduced its pre-bankruptcy costs of capital. Based upon the occurrence of the Effective Date for its Plan of Reorganization, I believe the Commission can determine the financial status of PG&E from the information that is submitted into the evidentiary record of this proceeding.

c) Whether the proposed securitization provides a sufficient path to an investment grade rating for PG&E.

The path to an investment grade issuer rating identified by PG&E's application and testimony is far too contrived to satisfy the legal requirement of the D.19-06-027 Stress Test. Where the prescribed Stress Test Methodology centers on a three-year time horizon (including the current year), PG&E relaxes what should be a 2022 crucible to "as early as 2023."[5] PG&E's April 30, 2020 testimony claimed – and the August 7, 2020 revised testimony repeats – the

[4] D.19-06-027, Stress Test Methodology attachment, p. 14.
[5] PG&E August 7, 2020 Revised Testimony, p. 5-29, line 2.

proposed securitization could accelerate achievement of "metrics consistent with an investment-grade issuer credit rating under S&P's methodology … potentially two years or more before it otherwise would …"[6] No claim was made regarding Moody's methodology, which treats securitized debt as if it remained on PG&E's balance sheet.

At best, this was ambiguous speculation about achieving a split rating. But even this asserted optimism was belied barely a month before the April 30, 2020 testimony by separate written analyses provided to PG&E by S&P and Moody's. S&P's March 23, 2020 confidential assessment to PG&E indicated [redacted][7]

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[6] PG&E April 30, 2020 Testimony, p. 1-6, lines 9 – 11. *See* also PG&E August 7, 2020 Revised Testimony, p. 1-12, lines 15 – 18.
[7] PG&E August 7, 2020 Revised Testimony, CONFIDENTIAL Exhibit 1.2, pp. 1-Exh1.2-1 -- 1-Exh1.2-2.
[8] *Id.,* p. 1-Exh1.2-2.

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PG&E's assertions that Commission approval of the securitization would demonstrate an improved regulatory climate for PG&E likely to raise S&P's qualitative assessment should be tempered with the rating agency's written description of the company's business risks:

[redacted]

[redacted]

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Similarly, the March 18, 2020 confidential written assessment provided to PG&E by Moody's indicated [redacted]

[redacted][11]

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[9] *Id.,* pp. 1-Exh1.2-3 -- 1-Exh1.2-4.
[10] *Id.,* p. 1-Exh1.2-9.
[11] PG&E August 7, 2020 Revised Testimony, CONFIDENTIAL Exhibit 1.3, p. 1-Exh1.3-2.

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Neither the S&P nor Moody's updated rating writeups of PG&E, published in June and July of 2020 and attached to PG&E's August 7, 2020 Revised Testimony, altered either agency's appraisal of the inconsequential role in PG&E's rating prospects attributable to the proposed securitization. Both rating agencies pointed to the ongoing risk of catastrophic wildfires -- "A large percentage (about two-thirds by land or about 50% by circuit miles) of the company's service territory operates within high fire-threat districts, which considerably increases the risks for Pac Gas compared with peers"[14] – and potential depletion of the AB 1054 wildfire insurance

[12] *Id.,* p. 1-Exh1.3-3.
[13] *Id.,* p. 1-Exh1.3-4.
[14] *Id.,* p. 5-Exh5.6-15.

fund as more salient credit factors. (The paramount influence of future wildfire risk was reinforced by S&P's September 16, 2020 announcement lowering the outlook for all three California investor-owned utilities to "negative" from "stable" due to unprecedented wildfire activity during the 2020 fire season.) S&P has also voiced concern about the generosity of PG&E's settlement of claims from wildfire victims:

> We view the company's settling of its uncapped wildfire victims claims ($13.5 billion) at a multiple of the subrogation claims ($11 billion) as possibly increasing business risk. Our previous base case assumed that the wildfire victim claims would be settled at a fraction of the subrogation claims. Furthermore, the company's decision to settle claims with the Tubbs wildfire victims despite California's Department of Forestry and Fire Protection determining that Pac Gas was not the cause of the wildfire, also might increase risk. This is because, in our view, these settlements might set a precedent, possibly increasing future payments to wildfire victims and depleting the wildfire fund at a faster rate than previously expected.[15]

Both rating agencies pointed to PG&E's extraordinary post-exit turnover in senior management – which now includes the holding company CEO and CFO, the utility CEO, and 11 of 14 board members – as a weakness: "we believe that it could take many years for the company to improve its culture and to consistently demonstrate the improved oversight that is necessary to account for the company's unique enterprise risks."[16] Nor are PG&E's widely recognized reputational problems seen as easily corrected. In S&P's words:

> … the public sentiment toward Pac Gas is very negative, which we believe will make it more difficult for the company to effectively manage regulatory risk than its peers. We believe that, based on the lack of confidence that many stakeholders have toward the company, regulators' willingness and ability to consistently implement measures that protect the company's credit quality could be limited … we believe that it will likely take significant time and a consistent longer-term track record of operational excellence, including safety and reliability, for the company to regain the trust of all of its

[15] *Id.,* p. 5-Exh5.6-20.
[16] *Id.,* p. 5-Exh5.6-13.

> stakeholders. Given these higher risks, we assess the company toward the lower end of the range for its business risk profile category, relative to peers.[17]

Nor can the challenges confronting PG&E's transient management be adequately appraised without awareness of the anticipated turnover in the company's shareholders. As then-CEO William Johnson testified in I.19-09-016, "our largest investors are not the typical utility investors," but instead "tend to be distressed asset investors, hedge funds that are in this space."[18] As he said, "I would expect, after we exit [bankruptcy] and refinance, that most of them would exit the stock."[19] Anyone familiar with fiduciary duties to shareholders can recognize the challenge created for Mr. Johnson, his senior management colleagues, and the holding company and utility board members – and their many successors – in the face of this planned exodus. As Mr. Johnson indicated, "In the first year they [current shareholders] would exit and we would be heavily looking for the traditional utility investor."[20]

The quantitative analyses from the two rating agencies cast cold water on PG&E's portrayal of securitization as a relevant step on the path back to an investment-grade issuer rating. Moody's, because it treats securitization as on-credit, performed the more stringent quantitative review. It readily conceded "relatively strong financial metrics"[21] to the post-bankruptcy PG&E holding company. "We acknowledge that PCG's credit metrics generally reflect a financial profile that is consistent with a low investment-grade rated utility holding

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[17] *Id.,* pp. 5-Exh5.6-15 – 5-Exh5.6-16.
[18] I.19-09-016 Transcript (PG&E – Johnson), p. 211, lines 9 – 14.
[19] *Id.,* p. 211, lines 14 – 16.
[20] *Id.,* p. 212, lines 13 – 15.
[21] PG&E August 7, 2020 Revised Testimony, p. 5-Exh5.7-2.

company."[22] Not especially different from the confidential assessment provided PG&E in March, the Moody's updated analysis found

> Over the next three years, we expect PCG's ratio of cash flow from operations pre-working capital changes (CFO pre-W/C) to debt to be in the 12 – 15% range and utility PG&E's ration of CFO pre-W/C to debt to be in the 14 – 16% range, including planned wildfire claim securitization bonds as on-credit debt. We expect some improvement in the companies' financial profiles through increased cash flow generation and debt reduction, especially at the parent level … we expect holdco debt to steadily decline as the company expects to pay down this debt meaningfully over the next five years.[23]

S&P's base case analysis only reached out two years, assumed that the off-credit securitization financing was used to retire the Temporary Utility Debt in 2021, and projected a funds from operations (FFO) to debt ratio at the PG&E utility in the range of 15 – 18% in both 2020 and 2021. Although the two rating agencies utilized slightly different metrics, the trendlines and ranges of variability were similar.

The latest writeups from S&P (September 16, 2020) and Moody's (August 19, 2020), served by PG&E on October 7, 2020, merely reinforce the earlier absence of the proposed securitization from either agency's envisioned pathway back to a PG&E investment-grade issuer rating. S&P's assessment, which did not mention the proposed securitization at all, focused on 2020's implications for increased wildfire risks faced by all California investor-owned utilities, potential early depletion of the AB 1054 wildfire fund, and the possible negative impact of public safety power shutoffs on the utilities' collective "ability to consistently manage regulatory risk."[24] The Moody's evaluation pointed to the required contributions to the

[22] *Id.*
[23] *Id.*
[24] S&P, September 16, 2020, "PG&E Corp. And Subsidiary Outlooks Revised To Negative On Adverse Wildfire Conditions; 'BB-' Ratings Affirmed," p. 2.

Customer Credit Trust to explain the "credit neutral" effect of PG&E's proposed securitization, adding that "We typically view a utility's use of securitization bonds as a credit positive."[25]

The unavoidable essence of either perspective, in terms of PG&E's ability to satisfy D.19-06-027's "pre-condition that it must demonstrate an ability (pathway) to achieving an investment grade credit rating to access the Stress Test,"[26] is the sheer uncertainty inhibiting either rating agency's willingness to model very far into the future. S&P will not project beyond 2021, Moody's will only extend to 2022. Both rating agencies' March 2020 confidential assessments [redacted], and neither shows the slightest inclination to alter that stance. Moody's actually concedes PG&E already has achieved "relatively strong financial metrics" that are "consistent with a low investment-grade rated utility holding company," [27] but both rating agencies are emphatic about the overriding influence of qualitative factors that require sustained attention over an extended period of time. PG&E's attempt to quantitatively extend[28] both agencies' projections far beyond the time horizons embraced by their authors does nothing to address this analytic dilemma – instead merely demonstrating that speadsheet modeling can reverse-engineer PG&E's desired result by adjusting financial ratios.

d) Whether excess cash and non-core asset sales are appropriately calculated by PG&E.

A4NR does not at this time contest PG&E's testimony regarding excess cash and non-core asset sales.

e) Whether a regulatory adjustment is warranted.

[25] Moody's, August 19, 2020, "PG&E Corporation FAQ on what's next after emergence from bankruptcy," p. 1.
[26] D.19-06-027, Stress Test Methodology attachment, p. 13.
[27] PG&E August 7, 2020 Revised Testimony, p. 5-Exh5.7-2.
[28] *Id.,* p. 5-Exh5.5-1.

PG&E's desultory descriptions of what it claims as "approximately $1 billion on average per year in operational cost savings and efficiency initiatives through 2024"[29] makes it impossible for the Commission to assess the degree to which "reducing or deferring discretionary spending"[30] could compel a regulatory adjustment to increase the Customer Harm Threshold. PG&E's testimony references the March 17, 2020 Disclosure Statement filed with the Bankruptcy Court, where the entire explanation consists of:

> The Consolidated Financial Projections assume the achievement of various efficiency initiatives, including, among other things, resource planning, contract management, monetization of excess renewable energy, and real estate optimizations. These efficiency initiatives reduce operating and capital expenditures by approximately $1 billion on average through 2024.[31]

PG&E's response to an A4NR data request seeking greater elaboration did little to clarify:

> The cost efficiency targets included in the five-year financial plan underlying PG&E's disclosure statement were identified in an effort to offset customer rate pressure created by unique cost increases required over the next five years to address safety and reliability concerns. This effort seeks to build on pre-existing affordability efforts and to evaluate a wide range of possible cost efficiency opportunities across the organization. Throughout this effort to identify, quantify and pursue identified cost efficiencies, PG&E's paramount priority has been that safety, including the scope, pace and quality of work, should never be sacrificed. PG&E's focus has been, and continues to be, providing affordable customer rates without compromising on safety or system reliability. PG&E refers A4NR to 2020Securitization_DR_PubAdv_01-Q24_Atch01CONF, which provides on a confidential basis a breakdown of the efficiency initiatives included in the Updated Financial Projections attached to the Disclosure Statement. PG&E reserves the right to supplement this response as information develops.[32]

[29] *Id.,* p. 5-55, line 23 – 25.
[30] D.19-06-027, Stress Test Methodology attachment, p. 12.
[31] PG&E Disclosure Statement for Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization, p. 169.
[32] Securitization2020_DR_A4NR_001-Q01-16UPDATED, p. 7.

The following table comprises the entirety of this “breakdown of efficiency Initiatives” provided by PG&E in 2020Securitization_DR_PubAdv_01-Q24_Atch01CONF:

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[redacted]

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The data request posed by the Public Advocates Office on this topic prompted a comparably troublesome response from PG&E:

> Q24b. For each and every ‘efficiency initiative’ that pertains to an expense or capital cost authorized through PG&E’s General Rate Case proceedings or other Commission authorization, explain why the underlying rate component for that expense or capital cost could be prima facie just and reasonable, given the apparent unachieved efficiency in question.

A24b. PG&E periodically reviews its operations and procedures to identify potential efficiencies and other improvements to consider and pursue. Identifying such potential initiatives has no bearing on the just and reasonableness of PG&E's current rates, which have been reviewed and approved and set prospectively by the Commission. For the years 2020-2022, the cost efficiency initiatives described above (part a.) have been identified to partially mitigate spending above what would be authorized in the 2020 GRC settlement and in other Commission ratesetting proceedings. To the extent such initiatives are implemented by PG&E in the future, those may be considered in future ratesetting proceedings. The cost efficiencies will also benefit Electric Transmission customers. Indeed, PG&E's purpose in considering and pursuing these initiatives is to benefit customers and reduce rates.[33]

The credibility of these claimed "efficiency initiatives" or "cost efficiency targets" is problematic for two fundamental reasons. First, they are specifically aimed at "spending above what would be authorized"[34] in any Commission ratesetting proceeding, and intended to more generally "offset customer rate pressure created by unique cost increases required over the next five years to address safety and reliability concerns."[35] That means there is no empirical benchmark to measure against, the hypothetical targets are whatever PG&E imagines them to be, and the benefits from such "initiatives" may be largely illusory.

Second, these are efforts launched by previous management and board members that may hold little if any priority for the new board members, the acting holding company CEO, or whoever is functioning as a stand-in for the recently departed holding company CFO and utility CEO. PG&E declined to provide any documents in response to A4NR's request for "copies of any written communications with PG&E's boards of directors that identify or describe the operational cost savings and efficiency initiatives," objecting that the request was overly broad,

[33] Securitization2020_DR_PubAdv_001-Q01-29, p. 20.
[34] *Id.*
[35] Securitization2020_DR_A4NR_001-Q01-16UPDATED, p. 7.

unduly burdensome, and sought information protected by the attorney-client privilege and/or attorney work product doctrine.[36]

The Commission is left with an evidentiary void in assessing how to weigh reductions or deferrals in PG&E discretionary spending as inputs to a potential regulatory adjustment. Even if PG&E does not deem such reductions or deferrals reasonable options, D.19-06-027 requires PG&E to "nevertheless include a detailed description of its analysis and the basis for the utility's conclusion that each potential opportunity is not reasonable."[37] PG&E should be expected to fill this void with its rebuttal testimony.

2) Whether PG&E has sufficiently demonstrated that 2017 wildfire claims costs are eligible for recovery under the Stress Test including:

a) Whether PG&E's estimations of its 2017 wildfire claims costs are accurate.

A4NR does not at this time contest the accuracy PG&E's 2017 wildfire claims costs.

b) Whether PG&E's wildfire claims costs should be measured based on the stated value of the Fire Victim Trust settlement or the market value of the settlement.

Notwithstanding the discussion in 4) c) below, A4NR does not at this time have an opinion on whether one approach has greater merit than the other.

c) Whether at least $7.5 billion of the wildfire claims costs being paid as part of PG&E's Plan are attributable to the 2017 North Bay Wildfires.

A4NR does not at this time contest whether at least $7.5 billion of the wildfire claims costs being paid as part of PG&E's Plan are attributable to the 2017 North Bay Wildfires.

3) Whether PG&E's proposal for the securitization is neutral, on average, to ratepayers, as required by D.20-05-053, including:

[36] *Id.*
[37] D.19-06-027, Stress Test Methodology attachment, p. 12.

D.20-05-053 requires PG&E's proposal to satisfy the ratepayer protections statutorily provided by Cal. Pub. Util. Code § 3292(b)(1)(D) – "neutral, on average, to the ratepayers of the electrical corporation" – and Cal. Pub. Util. Code § 3292(b)(1)(E) – "recognize the contributions of ratepayers, if any, and compensate them accordingly." As D.20-05-053 made clear:

> Even if … the Commission does not need to make a final determination here of the applicability of AB 1054 to potential future applications, it does not matter for PG&E's securitization application. The Commission will review the proposed nominally offset securitization application in light of PG&E's commitments made in its Bankruptcy Court filings, entered into the record here via its March 24, 2020 Motion for Official Notice. Given the close connection between the plan and the proposed securitization and PG&E's commitment that its securitization application will meet the requirements of AB 1054, including ratepayer neutrality, the securitization application should satisfy those requirements.[38]

Three primary features of PG&E's proposed securitization combine to bedevil satisfaction of the statutory tests of "neutral, on average, to ratepayers" and "compensate [ratepayer contributions] accordingly":

- First, PG&E's proposal refinances $6 billion of Temporary Utility Debt which it previously identified to the Commission as "the financial responsibility of shareholders, not customers,"[39] and makes an accelerated payment of cash to its largest shareholder, the Fire Victim Trust.
- Second, to pay these amounts, PG&E's proposal commandeers the creditworthiness of its aggregated ratepayers through a non-bypassable surcharge subject to frequent true-ups. The resultant low borrowing rate of 2.9% assumed by PG&E reflects a considerable savings from the 7.34% cost of capital estimated in PG&E's testimony[40] (444 basis

[38] D.20-05-023, p. 85.
[39] I.19-09-026, PG&E-1, p. 2-15, lines 19 – 20.
[40] PG&E August 7, 2020 Revised Testimony, p. 7-2, lines 17 – 24.

points on $7.5 billion represents $333 million in a single year alone), but the proposed ratepayer share of any surplus in the Customer Credit Trust bears no relationship to the commercial value of the credit enhancement extracted from ratepayers.

- Third, the very source of PG&E's proposed reimbursements to ratepayers for their payment of debt service relies upon an expropriation of the type of tax-derived financial benefits – i.e., from the Net Operating Losses ("NOLs") created by PG&E's settlement of 2017 wildfire claims – that the Commission has twice determined since 2019 should already be credited to ratepayers. Regarding tax benefits associated with losses from events that give rise to the Stress Test application, the Commission declared its policy in D.19-06-027: "Our intent is that a utility should not capture any tax benefit."[41] D.20-05-019 established a mechanism to capture this type of benefits for ratepayers, consistent with the inherently uncertain timing and amounts of PG&E's future tax savings from wildfire claims settlement-related NOLs:

  as PG&E realizes any tax savings associated with the shareholder obligations …, PG&E is directed to report these tax savings, with accompanying supporting testimony and underlying calculations, in its next General Rate Case (GRC) filing immediately following the realization of the savings. The amount of the tax savings shall be applied to wildfire mitigation expenses recorded in the WMPMA [Wildfire Mitigation Plan Memorandum Account] or FRMMA [Fire Risk Mitigation Memorandum Account] that would otherwise have been recovered from ratepayers but for this decision… In the event that all of the reported tax savings cannot be applied to FRMMA or WMPMA expenses in the GRC in which PG&E reports the tax savings, the reported savings or portion thereof shall be applied to the subsequent GRC or stand-alone application in which PG&E seeks recovery of FRMMA or WMPMA expenses. In the event that neither the FRMMA or WMPMA are open at the time the tax savings are to be applied, the Commission will designate substitute recorded wildfire mitigation or resiliency-related expenses that would otherwise have been recovered from ratepayers to which these savings should be applied.[42]

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[41] D.19-06-027, p. 34.
[42] D.20-05-019, p. 47 (incorporating footnote 105).

a) Is the proposed structure reasonable in the event there is ultimately a Customer Credit Trust shortfall?

No, PG&E's proposed structure cannot be considered reasonable if there is a risk of shortfall in the Customer Credit Trust. PG&E is asking the Commission to make ratepayers liable for what are indisputably shareholder obligations based upon a rationale that ratepayers will ultimately benefit from the asserted improvement in PG&E's financial profile. As I indicated above, the available evidence from S&P and Moody's suggests no reliable connection between the securitization proposal and an upgrade to an investment grade issuer rating from either agency. While PG&E's testimony emphasizes the role of securitization in accelerating S&P's removal of negative rating modifiers, PG&E admitted in a data response its unawareness of any written or verbal communications with S&P supporting such hopes.[43] Under such debatable circumstances, how can it be reasonable to force ratepayers to incur any risk of shortfall in PG&E's ill-constructed Customer Credit Trust debt service reimbursement mechanism?

b) Whether PG&E's proposal reasonably accounts for risks to ratepayers or whether alternatives to PG&E's securitization transaction are available that strike a better balance of benefits and detriments?

PG&E's proposal fails to reasonably account for several core risks it would transfer to ratepayers without compensating benefit. These include, but are not limited to, the various causes of a potential shortfall in the Customer Credit mechanism (e.g., amount and timing of NOLs, errors in forecast of taxable income, inadequate Initial Shareholder Contribution, change in tax laws, etc.); the responsibility of ratepayers to reimburse PG&E "for any computed tax liability" caused by shortfalls during any period when the Fixed Recovery Charges exceed the

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[43] Securitization2020_DR_CCSF_003-Q01-11, p. 3.

Customer Credit;[44] and the uncertain ramifications of a future PG&E bankruptcy (e.g., legal ability to transfer funds from the Customer Credit Trust to pay the Customer Credit, source and sufficiency of funds to reimburse elevated costs owed any Replacement Servicer, etc.).

Because a fair reading of the multiple written reports from the rating agencies makes clear that future improvements in PG&E's issuer rating will be driven by developments other than the proposed securitization, no tangible ratepayer benefit could be confidently attributed to the securitization transaction if it went forward. A better balance of benefits and detriments would allow ratepayers to retain the tax-derived financial benefits to which they are entitled under D.19-06-027 and D.20-05-019, and leave liability for the 2017 wildfire claims settlements (and responsibility for payment of the Temporary Utility Debt and deferred payment to the Fire Victim Trust) with shareholders.

c) Would providing for a dollar for dollar rate credit (in the amount of any shortfall) appropriately ensure ratepayers always receive the full offset? Would such a structure create any secondary issues?

A dollar for dollar rate credit could provide assurance while PG&E remains solvent. It is unclear that such a guarantee would survive another PG&E bankruptcy. At a minimum, the potential disruption in timely receipt of such offsets may be inescapable in a bankruptcy scenario. PG&E's testimony offers only speculative comfort about an ultimate outcome:

> PG&E further understands that, in the event of another PG&E bankruptcy, the Commission would continue to possess the authority to ensure that PG&E can continue to satisfy its obligations to fund the Customer Credit. For example, it would still be necessary in a bankruptcy to secure Commission approval for any proposed transaction outside the ordinary course of business. The Commission could condition any such approval on ensuring continuing funding of the Customer Credit. Similarly, a bankruptcy plan that proposed any changes to PG&E rates—including its commitment to fund the Customer Credit—would require Commission approval. Additionally, incorporating

[44] PG&E August 7, 2020 Revised Testimony, p. 6-33, footnote 18.

approval of the Customer Credit Trust and limits on use of the Trust Corpus into the Financing Order issued by the Commission provides an additional measure of protection of the Trust Corpus from PG&E's creditors or shareholders.

In short, customers can have reasonable assurance that PG&E will continue to meet its obligations to fund the Customer Credit even if there is another bankruptcy.[45]

A future PG&E bankruptcy would likely enable the securitization bond trustee to require that PG&E be replaced as Servicer. Whether amounts in the Customer Credit Trust would be sufficient to cover the costs of a Replacement Servicer – which could leap to as high as 60 basis points annually – is uncertain. Based on PG&E's projected 2.9% interest rate for securitization bonds, Replacement Servicer costs could represent a significant portion of ratepayer financial exposure in any particular year.

PG&E's testimony appears to rule out such a dollar for dollar credit for fear of undermining its claimed prospective improvement under S&P financial metrics ("In the event that PG&E were to guarantee the Customer Credit mechanism, S&P would likely treat it as an enforceable contractual commitment and, therefore, the securitization would be on-credit and the forecasted improvement in financial metrics would not occur."[46]). But, as discussed under 1) c) and 3) a) above, PG&E's anticipation of quantitative progress is highly speculative and does not address the reasons S&P has cited for its sub-investment grade issuer rating. At worst, such a dollar for dollar rate credit would put PG&E on the same footing with S&P that it is on with Moody's: a credit-neutral transaction. The pathways back to investment-grade issuer ratings from either are unlikely to diverge, and PG&E should not harbor illusions to the contrary.

d) If modifications to PG&E's proposed structure (including rate credits) are proposed, would those modifications impact credit ratings, and if so, what is the impact?

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[45] *Id.,* pp. 6-22, line 26 – 6-23, line 8.
[46] *Id.,* p. 5-29, lines 26 – 30.

A4NR recommends rejection, not modification, of PG&E's proposed securitization structure and does not anticipate any impact on PG&E's credit ratings.

e) How should downside risk and upside potential in the Customer Credit Trust be allocated between PG&E shareholders and ratepayers?

If PG&E's securitization is approved, the downside risk and upside potential in the Customer Credit Trust must be allocated between shareholders and ratepayers in a manner that ensures compliance with Cal. Pub. Util. Code § 3292(b)(1)(D) and Cal. Pub. Util. Code § 3292(b)(1)(E). The "neutral, on average" requirements of the former should be applied in a manner consistent with the Commission's policies regarding intergenerational equity – an inherent problem with PG&E's desire to spread the costs of a single year's wildfire claims settlements over multiple decades. By comparison, PG&E amortized the costs of its earlier bankruptcy in a securitized financing with a weighted average life of less than nine years.

The "compensate them accordingly" requirements of the latter statutory requirement should be calculated on the basis of the fair market value of the credit enhancement which the non-bypassable surcharge and true-up would extract from ratepayers. By PG&E's estimate, the proposed securitization reduces annual revenue requirements by a cumulative $6.7 billion over its 30-year life, with present value savings of $4.2 billion when discounted at PG&E's 7.34% authorized return on rate base.[47] Incongruously, PG&E proposes to compensate ratepayers only a small fraction of these projected benefits in exchange for absorption of the multiple risks of PG&E's proposed structure. As described in PG&E's testimony,

> Given the assumptions used in the analysis, the expected value of the Customer Credit Trust at the conclusion of the Bond term was roughly $4.414 billion in nominal (2050) dollars. In Net Present Value (NPV) terms (using PG&E's proposed authorized return on

[47] *Id.,* p. 7-6, Table 7-3.

> rate base of 7.34 percent as the discount rate), the expected value at termination was roughly $535 million. Across the full range of 2,000 simulations generated by the model, the Customer Credit Trust had a positive terminal balance in roughly 84 percent of the outcomes. In the outcomes where the Customer Credit Trust was exhausted before the end of the 30-year Bond term, it happened only in the later years with the Customer Credit Trust maintaining adequate funding to provide the Customer Credit through at least 2047 in 95 percent of the cases.[48]

Notwithstanding the several caveats in the analysis, or the 89% enlargement in the Customer Credit Trust's estimated ending balance since PG&E's April 30, 2020 original testimony (forecast error being one of the larger risks transferred to ratepayers), PG&E proposes compensation at a level no commercial guarantor would likely accept. With no comparison to price quotes for credit enhancement from bond insurers or letter of credit providers, PG&E's proposal unilaterally deems its "expected" (but not guaranteed) payment of $1.104 billion in 2050 as "a significant upside opportunity for customers."[49] But this "expected" payment would constitute only about 16.5% of the considerably more certain revenue requirement savings attributed to ratepayer-provided credit enhancement.

PG&E's allocation between shareholders and ratepayers of the downside risk and upside potential of its proposed securitization falls considerably short of the applicable statutory requirements.

4) Whether the Commission has sufficient information to determine the amount and timing of net operating losses (NOL) that will be available to fund the Customer Credit Trust, including:

a) What risks exist in the proposed forecast for the amount and timing of receipt of PG&E's realization of NOLs?

[48] *Id.,* p. 6-21, lines 12 – 23.
[49] *Id.,* p. 1-15, line 27 – 28.

Table 6-2 of PG&E's testimony acknowledges, "Forecast deductions may not occur as shown on this schedule due to potential changes in taxable income, tax rates and tax law."[50] Because ratepayer risks under PG&E's proposed structure are reduced as Additional Shareholder Contributions increase, allowing more time for investment earnings to accumulate, earlier realization of NOLs is more beneficial to ratepayers than later realization. The prospects for changes in tax law – e.g., adjusting tax rates either upward or downward, or altering the legally allowed timing of NOLs realization – are difficult to assess and unavoidably require political speculation. Assessment of change-of-law risks is perhaps best done through scenario analyses, but with appropriate humility in assigning probabilities to changes from the status quo. PG&E's application and testimony are notably devoid of such assessment.

A PG&E data response to A4NR[51] provides empirical information with which the risks of variance from PG&E's forecast for tax rates and taxable income can be evaluated:

PG&E Corporation & Subsidiaries
Taxable Income/(Loss) before NOL carryover

Year	Federal Adjusted Taxable Income (Loss)	Tax Rate		California Adjustable Taxable Income (Loss)	Tax Rate
1995	2,553,103,523	35%		2,160,219,907	9.30%
1996	1,607,722,316	35%		1,482,058,363	9.30%
1997	1,615,113,562	35%		1,117,752,427	8.84%
1998	1,553,844,752	35%		831,133,722	8.84%
1999	2,064,319,166	35%		1,154,896,503	8.84%
2000	(3,095,563,610)	35%		(1,878,493,901)	8.84%
2001	727,633,531	35%		252,976,249	8.84%
2002	2,217,461,068	35%		1,398,482,234	8.84%
2003	285,928,102	35%		745,979,522	8.84%
2004	460,944,733	35%		1,223,161,727	8.84%

[50] *Id.,* p. 6-11, Table 6-2.
[51] 2020Securitization_DR_A4NR_004-Q04Atch01.xlsx

2005	2,862,306,646	35%		2,521,374,037	8.84%
2006	2,305,567,492	35%		2,438,435,355	8.84%
2007	1,024,182,508	35%		1,123,027,834	8.84%
2008	(657,847,502)	35%		123,461,020	8.84%
2009	(338,311,604)	35%		968,563,126	8.84%
2010	(476,346,505)	35%		1,309,015,741	8.84%
2011	(1,733,434,831)	35%		318,818,059	8.84%
2012	(585,271,403)	35%		208,270,732	8.84%
2013	(1,278,437,127)	35%		(339,847,480)	8.84%
2014	(762,922,789)	35%		(412,879,626)	8.84%
2015	(740,273,752)	35%		84,490,014	8.84%
2016	(602,371,164)	35%		58,080,613	8.84%
2017	894,034,912	35%		763,201,102	8.84%
2018	296,273,414	21%		7,418,237	8.84%
2019	(1,904,345,320)	21%		Not yet filed	8.84%

PG&E's historical experience suggests that variance from forecast tax rates will likely be driven by change of law risk, but the extreme volatility it has experienced in taxable income over the past 25 years severely undermines the consistently steady growth assumed in its testimony. Both A4NR and CLECA urged in their inputs to the Joint Prehearing Conference Statement that PG&E be required to analyze NOL supply scenarios with comparable rigor to that it applied to Customer Credit Trust investment portfolio returns.[52] Instead of the 2,000 Monte Carlo simulations and evaluations of successive 30-year periods used to review potential portfolio returns, PG&E postulated a single projection of taxable income whose robotic growth rate (and avoidance of loss) is a radical departure from PG&E's recorded history over the past 25 years. In a data response to A4NR, PG&E declined to provide calculations of the median, mean, and standard deviation in the annual percentage growth (loss) rates in Federal and California taxable income for the 1995 – 2019 period.[53]

[52] Joint Prehearing Conference Statement, Attachment, p. 1 of 3.
[53] Securitization2020_DR_A4NR_004-Q01-04, p. 3.

PG&E's testimony projects that (1) it will take until 2024 to exhaust the preexisting NOLs (with the Initial Shareholder Contribution and earnings thereon reimbursing the FRCs) and that (2) the Additional Shareholder Contributions will become available from 2024 thru 2035 in amounts that reimburse all FRCs through 2050.[54] Based on previous 5-year, 12-year, and 16-year sequences in the recorded data, how confident should the Commission be in any of these assertions or their combined effect? What are the consequences of credible variance from PG&E's forecast of taxable income? These analytic gaps in PG&E's testimony deserve correction in rebuttal testimony.

b) How should the Commission evaluate and account for risks that may reduce the value or change the timing of NOL realization?

Assuming PG&E were allowed – despite D.19-06-027 and D.20-05-019 – to utilize the NOLs in its proposed securitization financing, the Commission should look to a properly-sized Initial Shareholder Contribution as well as the dollar for dollar rate credit discussed in 3) c) above to mitigate the risk of forecast variance. The Commission should require the Initial Shareholder Contribution to be in an amount that will provide at least a 95% level of confidence that, when combined with a reasonable assumed schedule of NOLs realization, the combination of shareholder contributions and a reasonable forecast of earnings thereon will be sufficient to ensure there are no shortfalls in Customer Credit reimbursements of FRCs at any time.

c) Whether there are other quantifiable risks related to PG&E's ability to collect or otherwise realize the value of NOLs on its projected timeline, including: its unique situation of having recently emerged from bankruptcy; exposure to future additional wildfire losses; the actual market value of the Fire Victim Trust settlement; or statutory changes including Assembly Bill 85, adding Section 17276.23 to the California Revenue and Taxation Code (Stats. 2020, Ch. 8, Sec. 8. Effective June 29, 2020).

[54] PG&E August 7, 2020 Revised Testimony, Table 6-3.

One of the examples given, uncertain valuation of the Fire Victim Trust settlement, should be quantifiable and will likely exacerbate the larger risk posed by PG&E's non-credible forecast of taxable income discussed in 4) b) above to the extent realization of tax benefits is deferred and the length of time funds are invested is reduced. PG&E has until April of 2021 to choose the tax treatment afforded its contribution of common stock to the Fire Victim Trust, and whether to use the fair market value of the stock as of July 1, 2020 or as of the subsequent date(s) of disposition by the Fire Victim Trust. Because either choice may reduce PG&E's tax deduction below the $6.75 billion previously assumed, PG&E has committed to backfill any shortfall with additional deductions of $320 million per year, as necessary, between 2021 and 2034. The ability of the Customer Credit Trust to make use of these benefits in any particular year will depend upon PG&E's taxable income, applicable tax rates, and tax law.

PG&E's "unique situation of having recently emerged from bankruptcy" is more of a qualitative risk than a quantifiable one. The impact on PG&E's ability to collect or otherwise realize the value of NOLs on its projected timeline is tied, in part, to PG&E's ability to avoid another bankruptcy.

On the other hand, PG&E's "exposure to future additional wildfire losses" is a qualitative risk – obviously of paramount concern to S&P and Moody's – that, without triggering another bankruptcy, could reduce taxable income in any particular year and thereby impact PG&E's ability to collect or otherwise realize the value of NOLs on its projected timeline. While the state's wildfire insurance fund is available, AB 1054 caps this exposure at some $2 billion over a three-year cycle. This risk could be quantitatively assessed by subjecting a credible forecast of PG&E taxable income to stress scenarios incorporating such losses.

Table 6-2 of PG&E's revised testimony already reflects the enactment of Assembly Bill 85.

I am not presently aware of any other quantifiable risks related to PG&E's ability to collect or otherwise realize the value of NOLs on its projected timeline.

d) Whether PG&E's proposal sufficiently addresses such risks.

As discussed in 4) a), 4) b), and 4) c) above, PG&E's proposal is severely deficient in recognizing, evaluating, and mitigating these risks.

5) Whether Section 451 applies, and, if so, whether PG&E has met its burden of showing that the proposed securitization transaction is just and reasonable under Section 451?

The "just and reasonable" requirements of Cal. Pub. Util. Code 451 apply to PG&E's proposed securitization even if the Commission were to determine the entire $7.5 billion to be allocable to ratepayers under Cal. Pub. Util. Code 451.2 (which it should not, for the reasons discussed in 1) above). Cal. Pub. Util. Code 850.1(a)(1)(A)(ii)(I) requires the Commission to condition issuance of any associated financing order on a determination that all material terms and conditions of the bonds, including the imposition and collection of Fixed Recovery Charges, are just and reasonable. As applied to a financing order, this is the same standard as Cal. Pub. Util. Code 451. The Customer Credit and the Customer Credit Trust are integral parts of PG&E's proposed financing order, and consequently subject to the just and reasonable standard (in addition to the "in the public interest" requirement of Cal. Pub. Util. Code 850.1(a)(1)(A)(ii)(II).

PG&E has fallen considerably short of meeting its burden to show that its securitization proposal is just and reasonable. Assuming, *arguendo,* that its collateral attack on D.19-06-027 could be ignored and its failure to comply with the Stress Test Methodology could be absolved, PG&E's post-bankruptcy status – unique among California electricity corporations – still subjects the proposed securitization to the "neutral, on average" and "compensate them accordingly" requirements of Cal. Pub. Util. Code §§ 3292(b)(1)(D) and 3292(b)(1)(E), respectively. PG&E has chosen to meet these tests by resort to its previously discredited "snapshot" perspective,[55] basing expansive assurances of rate-neutrality on its current "expectation"[56] while declining to offer any backstop guarantee. The brittleness of this expectation, premised on obviously disputable assumptions, cannot be characterized as just and reasonable. Issuing PG&E's proposed securitization bonds under such circumstances would not be in the public interest.

6) Whether PG&E's investment returns assumptions and criteria for allocating the Customer Credit Trust investments are reasonable and appropriate, including:

PG&E's testimony concerning investment returns is influenced by its flawed forecast of taxable income, which determines the realization of NOLs and thereby the amounts and timing of funds available for investment. Based on projections of taxable income that appear overly exuberant – in their annual amounts, in their steady growth, and in their immunity from losses – when compared to the volatility experienced over the past 25 years, PG&E calculates a breakeven geometric return requirement of 4.04% and states that there was not a single 30-year period since 1926 where its assumed investment portfolio would have generated an annualized return below 7.49%. This is a substantial cushion in terms of return, but three of the underlying assumptions suggest that the size of this cushion may be overstated:

[55] D.20-05-053 rejected this "single snapshot in time" approach and criticized PG&E's arguments on its behalf as "overly narrow." *Id.,* p. 87.
[56] PG&E August 7, 2020 Revised Testimony, p. 1-4.

- First, the 4.04% breakeven floor is derived from the dubious assumptions discussed in 4) a), 4) b), and 4) c) above and thus is likely to be understated.
- Second, PG&E has acknowledged[57] that the weighted average length of time the Initial Shareholder Contribution, and returns thereon, remains invested may be 8.3 years rather than 30 years. A similar calculation for the Additional Shareholder Contributions yields a weighted average of 15.3 years rather than 30 years. One doubts that PG&E would say that there was not a single 8.3-year or 15.3-year period since 1926 where its assumed investment portfolio would have generated an annualized return below 7.49%. PG&E should properly calibrate its expected investment returns with its anticipated periods of investment in its rebuttal testimony.
- Third, holding the 80% equities/20% fixed income asset allocation constant over the entire 30 years is an oversimplification that may overweight equities and, consequently, overstate return. Because of the established cash outflows created by the debt service on the securitization bonds, the actual portfolio may be more likely to resemble a series of target date funds. To hedge against the higher volatility of equities, such funds habitually increase their fixed-income allocations over time as payment dates grow nearer. PG&E should justify its constant 80-20 allocation in its rebuttal testimony.

a) Does PG&E's proposal, or would an alternative proposal, sufficiently ensure that ratepayers receive the entirety of tax benefits and investment returns that PG&E estimates will be used to fund the Customer Credit Trust?

If PG&E's proposed securitization is approved (which A4NR does not recommend), it should be conditioned upon a risk-informed sizing of the Initial Shareholder Contribution as

[57] Securitization2020_DR_A4NR_002-Q01-19, p. 2.

well as the dollar for dollar rate credit discussed above in 3) c). This would still leave ratepayers exposed to risk of another PG&E bankruptcy, but would protect them from the tax benefits/investment returns risks solely attributable to PG&E forecast error.

b) How should the Customer Credit Trust be allocated between different investment securities?

A4NR has nothing to add at this time to its testimony in 6) and 6) a) above.

c) What impacts would any proposed changes have on the ability of the Customer Credit Trust to fully satisfy all obligations related to securitization?

A4NR has nothing to add at this time to its testimony in 6) and 6) a) above.

7) In anticipation of the future financing order application that PG&E will seek to consolidate with this proceeding, parties may address in this proceeding whether the Commission should issue a financing order under Sections 850 et seq., including:

a) Whether the Commission should determine that the conditions set forth in Section 850.1(a)(1)(A)(ii) are satisfied, and the Commission may resolve these issues in connection with the future financing order application.

For the reasons discussed in 5) above, the Commission cannot make either the "just and reasonable" or the "in the public interest" required determinations regarding the proposed financing order included in PG&E's testimony. The Commission's decision in this proceeding should make this clear.

b) What role should the Commission play in structuring the securitization, including the selection of underwriters and asset managers?

If the Commission approves PG&E's proposed securitization, it should promptly retain an independent financial advisor to assist in the structuring, marketing, and pricing of the bond issuance(s). Due to the nonrecourse, off-balance sheet nature of securitized utility bonds, many of the ordinary incentives for the sponsoring utility to minimize financing costs are not present. By default, the Commission is the only protector of ratepayer interests in such an environment. Because large issuances of securitized utility bonds have been infrequent in recent years, and because comparisons to ubiquitous asset-backed securities can often prove misleading due to difference in credit types, the Commission should prioritize actual experience with ***utility*** securitizations in selecting an advisor. The extraordinary volume of such bond issuances expected from California electricity corporations in the near future means the first several transactions will likely establish important structuring, marketing, and pricing precedents in the fixed-income markets. Focusing the Commission role on the engagement of a well-qualified financial advisor should reduce the need for intrusion into the utility's selection of underwriters and asset managers.

8) If the securitization is approved, should the Commission authorize PG&E's proposed adjustments to its ratemaking capital structure?

No. PG&E's proposed securitization can only satisfy the statutory requirements of AB 1054 (which are categorically less flexible than the D.19-06-027 Stress Test Methodology) by properly compensating ratepayers for their contribution of credit enhancement , discussed above in 3) and 3) e), and including the dollar for dollar rate credit discussed above in 3) c), 4) b), and 6) a). This dollar for dollar credit would create a contingent liability through 2050 that should be properly reflected in the ratemaking capital structure. PG&E's request to extend the temporary waiver granted by D.20-05-053 to 2050 would turn the February 26, 2020 exchange between Commission President Batjer and then-CEO William Johnson in I.19-09-016 upside down:

> We have talked, you have been cross-examined yesterday and today, regarding securitization. If, for whatever reason, we were not able to grant securitization, what is -- what is your plan?
> A The next step would be to ask for a permanent waiver in the capital structure.
> Q I'm sorry. Say that again.

A A permanent waiver in the capital structure.
Q A permanent waiver?
A Yeah.[58]

Such an extended holiday from the Commission's authorized capital structure – which exists as a benchmark for good reason – would be apparent to virtually all institutional investors (and rating agencies) and inconsistent with an ostensible regimen of financial strengthening.

9) If the securitization is approved, what are the impacts on departing municipal customers, including the Fixed Recovery Charges, Customer Credit, and surplus in the Customer Credit Trust?

A4NR does not at this time have any input to provide on the potential impacts on departing municipal customers that may result from an approved securitization.

[58] I.19-09-016 Transcript (PG&E – Johnson), p. 267, line 18 – p. 268, line 1.

APPENDIX

QUALIFICATIONS OF JOHN GEESMAN

John Geesman is an attorney with the Northern California law firm, Dickson Geesman LLP, and a member in good standing of the California State Bar.

Mr. Geesman served as the attorney member of the California Energy Commission from 2002 to 2008, and was the agency's Executive Director from 1979 to 1983. Between his two tours at the Energy Commission, Mr. Geesman spent nineteen years as an investment banker focused on the U.S. bond markets and served as a financial advisor to municipal electric utilities throughout the West.

Mr. Geesman has a long history of providing leadership on issues related to resource planning, environmental policy, financial management, and risk practices. This is demonstrated by his service in numerous executive capacities, including stints as:

- Co-Chair of the American Council on Renewable Energy;
- Chairman of the California Power Exchange;
- President of the Board of Directors of The Utility Reform Network (nee Toward Utility Rate Normalization);
- Member of the Governing Board of the California Independent System Operator; and,
- Chairman of the California Managed Risk Medical Insurance Board.

Mr. Geesman has previously testified as an expert witness before the California Public Utilities Commission.

Mr. Geesman is a graduate of Yale College and the University of California Berkeley School of Law.