Decision **DRAFT DECISION OF ALJ LONG (Mailed 12/24/2003)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation of Pacific Gas and Electric Company (U 39 M) to (1) Issue, Sell and Deliver Common Stock and One or More Series of Its First and Refunding Mortgage Bonds, Debentures, Subordinated Deferrable Interest Debentures, Promissory Notes and/or Other Evidences of Indebtedness in Connection with A Confirmed Plan of Reorganization Under Chapter 11 of the Bankruptcy Code, the Total Aggregate Principal Amount of Such Issuances and Guarantees Not to Exceed $9.5 Billion; (2) Enter into One or More Interest Rate Caps, Collars and Swaps; (3) an Exemption from the Competitive Bidding Rule.	Investigation 02-07-015 (Filed July 17, 2002)

DECISION GRANTING THE OCTOBER 28, 2003 PETITION FOR MODIFICATION OF DECISION 02-11-030 AND DECISION 03-09-020 FOR FINANCE RELATED BANKRUPTCY REORGANIZATION AUTHORITY

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Summary

This decision grants with clarification the *Petition for Modification of Decision No. 02-11-030, as Modified by D.03-09-020, And Request For Order Shortening Time to Respond to Petition* (Second Petition)[1] that Pacific Gas and Electric Company (PG&E) filed on October 28, 2003. This is PG&E's second request to modify the authority granted in Decision (D.) 02-11-030. By this decision PG&E is authorized to issue securities to finance the Settlement Plan approved in D.03-12-035 and subsequently confirmed by the Bankruptcy Court.

Background

PG&E is currently in Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court for the Northern District of California Case No. 01-30923 DM, (Bankruptcy Court). The Commission opened Order Instituting Investigation (I.) 02-07-015 for the purposes of authorizing and directing PG&E to issue such preferred stock and long-term debt instruments as deemed appropriate to finance only the Commission's proposed Plan of Reorganization (POR). On November 7, 2002, the Commission granted conditional authority for PG&E in D.02-11-030 to issue up to $9.5 billion of additional preferred stock and long-term debt,[2] only to implement the Commission and the Official Committee of Unsecured Creditors' First Amended Plan of Reorganization proposed by the Commission and the Official Committee of Unsecured Creditors (Amended Plan) as amended, modified or supplemented

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[1] The Petition as originally served was incorrectly captioned citing D.03-09-030. This caption has been corrected throughout to D.03-09-020.

[2] Long-term debt is any debt that has a maturity of 12 months or more when issued.

from time to time. On July 25, 2003, PG&E filed its first Petition for Modification of D.02-11-030. On September 4, 2003, in D.03-09-020 the Commission granted authority to enter into interest rate hedges to mitigate costs of financing PG&E's emergence from bankruptcy. That authority for hedging was specifically applicable to any plan of reorganization. At that time there were three plans before the court not cited in full in the Second Petition: first there was PG&E's original plan,[3] second there was the Commission-sponsored Amended Plan,[4] and third, there was the Settlement Plan.[5]

PG&E seeks authority in the Second Petition to issue long-term debt and short-term debt, and to establish working capital and other credit facilities, as appropriate to finance the Settlement Plan.

PG&E proposes that authority should be granted in response to the Second Petition extending the authority in D.02-11-030 to include the most recent Settlement Plan, dependent on both the Commission adopting the Proposed Settlement Agreement in I.02-04-026 and the Bankruptcy Court confirming the Settlement Plan. On December 18, 2003, in D.03-12-035, the Commission adopted a modified settlement agreement. On December 19, 2003, the Commission entered into the settlement agreement with PG&E and PG&E Corp., and the

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[3] Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for PG&E dated April 19, 2002, as Modified by Modifications dated July 9, 2002, October 18, 2002, December 13, 2002, December 26, 2002, February 21, 2003, and February 24, 2003.

[4] Commission and Official Committee of Unsecured Creditors' Third Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for PG&E, dated December 5, 2002.

[5] Plan of Reorganization Under Chapter 11 of the Bankruptcy Code for PG&E, dated June 27, 2003 (Settlement Plan).

Bankruptcy Court signed a confirmation order confirming that plan on December 22, 2003 (Confirmed Plan).

By Ruling dated October 30, 2003[6], parties were directed to respond solely to the questions raised in the Second Petition and not seek to argue for or against the then Proposed Settlement Agreement, which is the subject of I.02-04-026, or the merits of any other bankruptcy issue properly within the jurisdiction of the Bankruptcy Court. Parties were limited to whether or not the proposed modification to D.02-11-030 is consistent with the Proposed Settlement Agreement considered by the Commission in I.02-04-026. Parties were to also address the adequacy of "specific wording" proposed by PG&E to carryout the proposed modifications to D.02-11-030. This Ruling also reduced time for comment to accommodate PG&E's request to seek a Commission decision to the Second Petition concurrent with a Commission decision in I.02-04-026 and under Rule 47 time was shortened for parties to comment. PG&E did not petition to waive or reduce the 30-day review period pursuant to Rule 77.7(f)(9). However, Rule 77.7(g) allows all parties to stipulate to reduce or waive the provisions of Rule 77. Accordingly, this Ruling asked parties' agreement to stipulate in their comments on the Second Petition to waive, or failing to waive, to reduce time to a 10-day comment period on the draft decision.

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[6] Administrative Law Judge's (ALJ) Ruling Shortening Time to Comment and Other Procedural Rulings on the October 28, 2003 Petition for Modification of D.02-11 030 and D.03-09-020 for Finance Authority Related to PG&E's Pending Bankruptcy Reorganization.

Responses to the Second Petition

On November 12, 2003 Aglet Consumer Alliance (Aglet) filed a response. Aglet has not been a party to I.02-07-015 and seeks under Rule 47(e) to intervene.[7] This decision grants the request to intervene. Aglet responded in conformance with the October 28, 2003 Ruling and limited its comments to the Petition. Aglet was silent on reducing the time or waiving comments on the proposed decision. The Office of Ratepayer Advocates (ORA) was the only other party to file a timely response. ORA declined to reduce or waive the comment period. PG&E replied to Aglet and ORA on November 14, 2003.

PG&E's Request

In its Petition, PG&E requested the following:

1. Authority to issue or otherwise incur up to $10.5 billion in long-term debt, consisting of:

- $7.8 billion of long-term debt (including debt securities and term loans), including issuance costs;

- $1.2 billion of additional long-term debt, including issuance costs, in the event the expected reinstatement, remarketing or reissuance of outstanding pollution control (PC) bonds cannot be effected;

[7] "Relying on the guidelines for participation in Rule 47(e), Aglet states the following: Aglet represents residential and small commercial customers in various Commission proceedings. Aglet is an active party to I.02-04-026, in which PG&E seeks approval of the proposed Settlement Agreement. Acting in cooperation with the Office of Ratepayer Advocates, The Utility Reform Network and other interested parties, Aglet opposes the proposed Settlement Agreement. Because the financing authority sought by PG&E would eventually influence retail rates, Aglet's members will be affected by the Commission's decision on PG&E's petition." Response, page 2.

- $0.5 billion of additional long-term debt, including issuance costs, in the event short-term debt is not issued;

- $0.5 billion of additional long-term debt, including issuance costs, for possible interest rate hedging costs; and

- $0.5 billion of additional long-term debt, including issuance costs, for a safety margin of approximately 5 percent, in the event actual claims, issuance costs, or other costs are higher, or PG&E has less cash on hand.

2. Authority to provide credit enhancement for certain Pollution Control Bonds if necessary, either in the form of letters of credit, bond insurance, surety bonds, and / or contingent mortgage bonds, in each case up to the face amount of the bonds. The request for credit enhancement for the Pollution bonds would not be authority to issue debt, but to provide security for the debt that is reinstated or reissued. The Letters of Credit would be issued pursuant to credit facilities, which would be in addition to the credit facilities described in paragraph 3, below.

3. Authority to establish up to $2.5 billion working capital and other credit facilities. Credit facilities for these purposes may be established through several types of structures, the most typical being bank revolving loan, term loan and Letters of Credit facilities, and customer accounts receivable financing programs (including securitization transactions). These facilities are either secured or unsecured, and are often multi-year agreements. Because borrowings under these facilities are intended to manage variations in short-term cash flow, and not serve as a permanent source of financing for long-term assets such as rate base, PG&E proposes to treat all such borrowings as short-term debt for ratemaking

purposes, which will be excluded from PG&E's ratemaking capital structure, consistent with past regulatory practice.

Discussion of the Responses of Parties

On November 12, 2003 Aglet Consumer Alliance (Aglet) and the Office of Ratepayer Advocates (ORA) filed timely responses to the Second Petition.

Aglet cited four objections: (1) that the requested relief is overly broad; (2) the ratemaking request is beyond the scope of prior authority in D.02-11-020; (3) that the reporting requirements exemption should be denied; and (4) the Commission should not prejudge the outcome of I.02-04-026. We acknowledge these concerns but make no modification to PG&E's authority.

The only allowable use of the funds under the conditional authority granted originally in D.02-11-020 or as modified, has been to finance the reorganization of PG&E under a plan confirmed by the Bankruptcy Court, and we make no other modification or broadening of authority here. By this decision we intend no changes to the ratemaking authority previously authorized.

D.03-10-074 dated October 30, 2003 in A.02-05-022 requires PG&E to file a new application to true up its capital structure resulting from its implementation of a financing plan approved by the Bankruptcy Court. This decision[8] modified

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[8] "Pacific Gas and Electric Company (PG&E) shall true up its return on equity with changes in its capital structure, long-term debt and preferred stock costs, and risk that results from it implementing the financing contemplated by a Chapter 11 plan approved by the Bankruptcy Court and address the costs for interest rate hedges deferred by Decision 03-09-020. Within 30 days after completing any such financing, PG&E shall file a new application for authority to true up its capital structure and return on equity. That application shall include PG&E testimony on its revised capital structure, long-term debt and preferred stock cost, risks, and return on equity." (Ordering Paragraph 1, D. 03-10-074.)

the "true-up" requirement of D.02-11-027. That application shall also include testimony on its revised capital structure, long-term debt and preferred stock cost, risks, and return on equity. That decision remains the appropriate proceeding for all cost of capital ratemaking and recovery of financing related costs following PG&E's emergence from bankruptcy.

One specific concern of Aglet was that PG&E could attempt to use proceeds for purposes not permitted by § 817, and that "general corporate purposes" are not permissible.[9] We addressed the limits in D.02-11-030 and we do not modify the authority granted under § 817; this decision only extends authority to the Settlement Plan, now confirmed by the Bankruptcy Court. Aglet expresses concern about financing proceeds funding the payment of dividends. PG&E responded[10] that dividends are "funded out of earnings." We disagree with that description. We agree that dividends are a disbursement of earnings, but the ability to make dividend payments are specific cash flow decisions based upon PG&E possessing sufficient available cash and liquid assets to fund both the continuing operations of the company and satisfy shareholders. Aglet expresses a legitimate concern that PG&E should not borrow in order to have the cash to pay dividends. This decision does not extend authority to PG&E to borrow cash in order to pay dividends.

ORA raises concerns regarding (1) the rate recovery of both long-term and short-term debt costs associated with the authority to finance the Settlement Plan, (2) inconsistencies between the Second Petition and the Settlement Plan in

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[9] Aglet Response, page 4.

[10] PG&E Reply, page 6.

I.02-04-026, and (3) the request to reduce the comment period on the proposed decision. We agree with ORA that all of the costs to be recovered from ratepayers need to be prudently incurred. We intend that all costs, whether hedging related or for long-term debt, will be addressed in the post-bankruptcy phase of PG&E's cost of capital proceeding A.02-05-022. Nor can PG&E bypass the Commission for short-term debt cost recovery as is feared by ORA. PG&E must bring all short-term costs before the Commission and seek approval before recovery in retail rates.

Most importantly we agree with ORA that this authority should not be inconsistent with D.03-12-035. We explicitly determine here that nothing in this decision supercedes or alters D.03-12-035, and this decision only provides the necessary authority for PG&E to finance the Settlement Plan as confirmed by the Bankruptcy Court, with the direct involvement of the Commission Financing Team, as discussed below.

$7.8 Billion of Long-Term Debt and $0.5 Billion in Lieu of Short-Term Debt

PG&E and the Joint Creditors' Committee forecast the financing requirements to be $7.683 billion.[11] In D.02-11-030 the Commission authorized the issuance of up to $9.5 billion in debt and preferred stock for the Amended Plan, if confirmed, based upon the best forecasts available at that time. The Settlement Plan proposed $7.8 billion in new debt as a part of the $12.138 billion required to satisfy creditors. PG&E also proposes to issue $0.5 billion in short-term debt, or an additional $0.5 billion in long-term in place of short-term debt. This total amount of debt is still within the range authorized in D.02-11-030.

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[11] See Table 8-1, page 8-4 in Exhibit 144 in I.02-04-026.

$1.2 Billion Pollution Control Bonds

The Confirmed Plan intends to reinstate the current Pollution Control Bonds. In order to allow PG&E to emerge from bankruptcy, these debt instruments must either be reinstated or replaced. We will extend authority to refinance the Pollution Control Bonds only if the reinstatement is not feasible, not allowed by the Bankruptcy Court or if PG&E and the Commission Financing Team determine that new debt, in addition to the other new debt required by the Confirmed Plan, is economically advantageous to the ratepayers.

$0.5 Billion for Interest Rate Hedging

PG&E was already conditionally authorized in D.03-09-020 to enter into hedging agreements to mitigate to costs to finance any of the three pending Plans of Reorganization and therefore we do not need to grant a further $500 million in authority for hedging. The ratemaking treatment for hedging costs was also addressed in D.03-09-020.

$0.5 Billion Safety Margin

In Exhibit 144, PG&E proposes that a 5% margin of $500,000,000 is necessary because the final claims to be resolved in bankruptcy may be higher, or the headroom cash available at the time may be less, than forecast in the Settlement Plan. ORA and Aglet did not specifically object to this safety margin proposal. With the built-in protections of the Bankruptcy Court approval of all claims, and with the Commission Financing Committee's direct participation and approval in all securities transactions, we find it prudent to increase the authority to include a safety factor to avoid a last minute emergency petition. We note too that all unused authority lapses upon funding a bankruptcy plan of

reorganization, as ordered by D.02-11-030[12], and there will be no lingering ability for PG&E to use this authority later.

$2.5 Billion Working Capital and Other Credit Facilities

As discussed above in the responses of parties to the Second Petition, PG&E seeks authority for credit facilities that are used for short-term cash management needs. PG&E asserts that these credit facilities are needed before emerging from bankruptcy. PG&E seeks authority for up to $2.5 billion to support its current operations. The annual cost of having these credit facilities available is recoverable in PG&E's revenue requirement in its pending general rate case, A.02-11-017, to the extent that PG&E forecast such costs. Conventionally, a utility issues commercial paper to borrow for short-term needs. Until it filed for bankruptcy, PG&E was able to issue commercial paper. PG&E asserts in Exhibit 144 that it will likely not be able to issue commercial paper in the short-term market upon emerging from bankruptcy until it has established a reasonable credit rating. When a utility normally issued commercial paper to finance short-term under-collections it collected interest on the under-collection in a balancing account. If PG&E exercises these credit facilities in lieu of issuing commercial paper, it will be compensated with the accrual of interest in the balancing accounts. We find it necessary and reasonable at this time for PG&E to have access to lines of credit in lieu of commercial paper.

PG&E, with the concurrence of the Commission Financing Team, may enter into lines of credit as a part of emerging from bankruptcy. These lines of credit will remain valid and available to PG&E for the commercial life of the

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[12] See Conclusion of Law No. 6 and Ordering Paragraphs 1 through 4.

agreements. As with the authority to issue long term debt, the authority to enter into subsequent lines of credit transactions lapses with the funding of the approved bankruptcy plan.

PG&E requests authority under § 851[13] to pledge or sell its accounts receivables or to use its accounts receivables as collateral to secure borrowing. The Commission has held that this form of securitization requires our authority to encumber the account receivables. (See (*Washington Water Power Co.*, [1992] 47 CPUC 2d 561, 1992 Cal LEXIS 926.) This is a reasonable tool to reduce costs or to ensure the availability of the necessary financing and we grant the authority requested under § 851 and with all other financing this securitization will occur only with the concurrence of the Commission Financing Team.

Summary of Approved Debt Financing Authority

Security	Amount
Long-term Debt	$7,800,000,000
In Lieu of Short-term	500,000,000
Pollution Control – If Not Reinstated	1,200,000,000
Interest Rate Hedging	0
5 % Safety Margin	500,000,000
Total	$10,000,000,000

[13] § 851. "No public utility … shall sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its … plant, system, or other property necessary or useful in the performance of its duties to the public, or any franchise or permit or any right thereunder, nor by any means whatsoever, directly or indirectly, merge or consolidate … with any other public utility, without first having secured from the commission an order authorizing it so to do."

Competitive Bidding Exemption

In D.02-11-030 the Commission Financing Team was exempted from the competitive bidding requirement to finance the Amended plan. PG&E seeks the same exemption here. Consistent with our earlier decision, it is reasonable to exempt the Confirmed Plan financing from the competitive bidding rule. The unique nature of funding a bankruptcy plan is not consistent with the normal financial operations of a utility where competitive bidding would normally be appropriate.

Rule 47(b) – Proposed Specific Wording

One requirement of Rule 47(b) is that the petitioner "propose specific wording to carry out all requested modifications to the decision." We have reviewed PG&E's proposed text for modifying D.02-11-030 and find them to be: excessive and beyond the level of factual detail supported by the petition; contrary to the repeated requirement in D.02-11-030, D.03-04-035[14] and D.03-09-020 that all financing requires the participation and direct approval of the Commission Financing Team; and inconsistent with the related provisions of the modified Settlement Agreement adopted by the Commission in D.03-12-035. The Modifications to D.02-11-030 are limited to the minimum needed to be consistent with the authority granted herein to (1) extend financing authority to include the Confirmed Plan, (2) increase the principal amount to $10.0 billion, and to add authority for (3) credit enhancements for reinstated pollution control bonds and (4) working cash lines of credit. Those necessary changes or additions are shown in the Ordering Paragraphs.

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[14] *Order Modifying Decision No. 02-11-030 and Denying Rehearing as Modified.*

Rule 72 – Commission Records

PG&E requests that Attachment A to the Second Petition be incorporated into the record. Attachment A is *Chapter 8 Financing Proposal and Cost of Capital* (Chapter 8) of Exhibit 114 was served and introduced into evidence by PG&E in I.02-04-026. PG&E's request meets the requirements of Rule 72 and it is granted, Chapter 8 is received by reference into evidence in this proceeding. We reject ORA's incorrect argument that Attachment A is "new evidence"[15] and that ORA would be denied discovery or cross-examination. ORA had that opportunity in I.02-04-026 and we may take notice here of an exhibit from that proceeding.

Commission Financing Team

One important ratepayer protection within D.02-11-030 was the requirement that a Commission Financing Team would negotiate the placement of securities to finance the Amended Plan. In D.03-09-020 we continued the role of the Financing Team to work jointly with PG&E and its financial advisors to hedge interest rates. The Proposed Settlement Agreement considered by the Commission in I.02-04-026 also provides that the Financing Team will work jointly with PG&E and its financial advisors to place the securities necessary to finance the Settlement Plan.[16] This decision in no way removes or reduces the role of the Financing Team with respect to the authority granted in D.02-11-030

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[15] Response, page 4. ORA mistakenly describes PG&E as trying to introduce new evidence into the Settlement Agreement phase in I. 02-04-026 when in fact PG&E requests permission to introduce an exhibit *from* that proceeding into this one.

[16] Chapter 1, Testimony of Gordon R. Smith, Exhibit 144 in I.02-04-026.

or herein and as described in the modified Settlement Agreement adopted by the Commission in D.03-12-035.[17]

Reduced Time for Comments

In the Second Petition PG&E sought finance authority concurrent with any decision in I.02-04-026. On October 30, 2003 the ALJ issued a Ruling asking parties to waive or reduce comments to ten days, since this authority is a necessary part of the bankruptcy process and although there is no emergency condition, uncertainty and unnecessary delay in resolving the bankruptcy proceeding are not in the public interest.

ORA declined to reduce or waive, citing "the sheer magnitude of this authority", i.e., $10.5 billion. The primary issue in this Second Petition is not the magnitude of the authority, which was addressed in D.02-11-030 and is the inevitable outcome of the bankruptcy proceeding. This decision primarily addresses whether or not to extend the authority in D.02-11-030. ORA proposes that the Commission deny the Second Petition as "premature"; however, the Commission has now acted in D.03-12-035, so ORA's contention is moot. There is no other compelling reason to delay a decision on authority to finance, given the Confirmation Order. ORA opposed the reduction of time for the first petition to modify, also without a compelling reason in light of the benefit provided by a timely resolution of PG&E's bankruptcy. The limited issues in this Second Petition are not complex and the public interest is not well served by running out the 30-day clock.

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[17] See Footnote 10 in D. 03-09-030, Conclusion of Law 3, and Ordering Paragraphs numbers 1 and 2.

Comment on Draft Decision

The draft decision prepared by ALJ Long was mailed to parties in accordance with Rule 77.7(f)(9). Interested parties were directed to file and serve comments within 10 days of mailing.

On January 5, 2004 PG&E filed comments of the draft decision and proposed corrections or changes to four components. First PG&E asked that the decision clarify that authority was granted under § 851 for the sale or pledging of accounts receivable; that the authorization to maintain credit facilities did not lapse concurrent with the lapse of the authority to issue further debt upon the funding of a bankruptcy plan; PG&E proposed a change to the cost recovery for working capital and credit facilities; and finally PG&E proposed changes for consistency within the ordering paragraphs. We have considered these comments[18] and to the extent necessary this decision reflects any changes we determined to be appropriate.

Assignment of Proceeding

Michael R. Peevey is the Assigned Commissioner and Douglas M. Long is the assigned ALJ in this proceeding.

Findings of Fact

1. PG&E is currently in Chapter 11 bankruptcy proceedings in the United States Bankruptcy Court.

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[18] On January 6, 2004, Aglet filed comments in response to PG&E's January 5, 2004 comments on the ALJ draft decision. However, on the December 24, 2003 transmittal cover letter for the draft decision parties were put on notice that Pursuant to Rule 77.7(f)(9), no replies would be accepted. Aglet's comments are not accepted.

2. The Bankruptcy Court subsequently confirmed the Commission Staff's Proposed Settlement Agreement with PG&E and PG&E CORP., approved with modifications by the Commission in D.03-12-035.

3. PG&E will need to issue up to $10.0 billion in new securities to fund the confirmed plan.

4. PG&E already has authority to hedge interest rates.

5. The Commission Financing Team serves as a consumer safeguard in financing the Settlement Plan, as confirmed by the Bankruptcy Court.

6. PG&E needs the option to provide credit enhancements, if necessary, to economically reinstate its Pollution Control Bonds.

7. PG&E needs lines of credit for short-term borrowing in lieu of issuing commercial paper and for letters of credit.

8. The sale or pledging of accounts receivable can provide security for borrowing or credit enhancements.

9. PG&E should only issue these securities with the concurrent participation in the selection and approval process of the Commission Financing Team.

10. PG&E must file an application as required by D.03-10-074 to recover its long-term cost of capital.

11. The opportunity to recover the costs of having available lines of credit is in PG&E's pending general rate case, A.02-11-017, to the extent that PG&E forecast such costs. The opportunity to recover the cost of exercising the lines of credit is as interest expense on balancing account undercollections.

12. The Settlement Plan, as confirmed, is not a normal financing and should not be subject to the constraints of the competitive bidding rule.

13. It is in the public interest to shorten the time for public review and comment on the draft decision.

Conclusions of Law

1. Evidentiary hearings are not necessary in this proceeding.

2. The Commission may authorize PG&E to execute security instruments for up to $10.0 billion with the concurrence of the Commission's Financing Team and consistent with D.03-12-035, as confirmed by the Bankruptcy Court.

3. PG&E should be allowed to issue securities only with the approval of the Commission's bankruptcy Financing Team composed of the General Counsel and Energy Division Director, consistent with the authority granted in D.02-11 030 for the issuance of financial instruments to fund a confirmed bankruptcy plan of reorganization.

4. It is reasonable to defer recovery of the long-term financing costs to the post-bankruptcy true-up ordered in D.02-11-027 in A.02-05-022 and as modified by D.03-10-074.

5. Lines of credit are necessary and reasonable to allow PG&E to emerge from bankruptcy.

6. It is reasonable to authorize under § 851 the encumbrance of account receivables to secure the necessary financing for PG&E to emerge from bankruptcy.

O R D E R

IT IS ORDERED that:

1. Pacific Gas & Electric Company (PG&E) is authorized to issue up to $10.0 billion of securities as described in the Settlement Plan modified in D.03-2-035 and confirmed by the United States Bankruptcy Court for the Northern District of California (Case No. 01-30923 DM).

2. PG&E may only issue these securities with the concurrent participation in the selection and approval process of the Commission Financing Team and in

conformance with the terms and conditions of the Settlement Agreement modified in D.03-12-035 and confirmed by the Bankruptcy Court.

3. Conclusion of Law 2 in D.02-11-030 is modified as shown:

    2. Pursuant to §§ 817(c), 818, and 701, the Commission may authorize PG&E to execute certain financial transactions and issue long-term debt and other securities to finance the ~~Amended~~ Settlement Plan as modified in D.03-12-035, ~~if it is~~ and confirmed by the Bankruptcy Court.

4. Ordering Paragraphs 1, 2 and 3 in D.02-11-030 are modified as shown:

    1. Pursuant to Pub. Util. Code § 816 et seq., the Commission's General Counsel, Director of the Energy Division, staff, and UBS Warburg LLC, and ~~Chanin Capital Partners, LLC~~, are authorized to negotiate jointly with Pacific Gas & Electric Company (PG&E) and its financial advisors, for the issuance and placement ~~by Pacific Gas and Electric Company (PG&E)~~ of up to $10 billion of additional long-term debt, inclusive of $500 million shorter-term debt potentially replacing $500 million of long-term debt, to finance the Settlement Plan, as modified in D.03-12-035 and confirmed by ~~California Public Utilities Commission's and the Official Committee of Unsecured Creditors' First Amended Plan of Reorganization for PG&E to resolve PG&E's Chapter 11 proceeding~~

~~currently pending in~~ the United States Bankruptcy Court for the Northern District of California.

2. PG&E may use the proceeds authorized by Ordering Paragraph (OP) 1 only to fund the ~~Amended~~ Settlement Plan modified in D.03-12-035 and confirmed by the Bankruptcy Court, which is an allowable purpose under § 817 ("§ 817 purposes").
3. The authority granted to PG&E by OPs 1 and 2 shall be exercised to fund the Settlement Plan modified in D.03-12-035 and confirmed by ~~Amended Plan only if~~ the Bankruptcy Court ~~confirms it~~.

5. PG&E is authorized to enter into working capital and credit facilities up to $2.5 billion. PG&E may establish lines of credit only with the concurrent participation in the selection and approval process of the Commission Financing Team and in conformance with the terms and conditions of the Settlement Agreement modified in D.03-12-035 and confirmed by the Bankruptcy Court.

6. The authority granted in D.03-09-020 allowing PG&E to enter into interest rate hedges is not modified.

7. The request to intervene by Aglet Consumer Alliance (Aglet) is granted.

8. Except as authorized by this decision, the Petition is denied.

9. This Order is effective today.

This proceeding is closed.

Dated _____, at San Francisco, California.