Asset-Backed ALERT

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Climate Change Inspires Issuing Proposal

Pacific Gas and Electric is proposing a new use for utility-fee securitizations.

The San Francisco company has proposed to the California Public Utilities Commission that it could deploy the proceeds from such transactions to fortify its generation facilities in the state against disasters resulting from climate change — including storms and wildfires. Should the effort move ahead, the expectation is that copycat offerings could surface nationwide.

PG&E financing head Richard Patterson is spearheading the initiative. He already has been speaking to underwriters and rating agencies, and was among a group of energy-industry professionals who testified to the Public Utilities Commission at a May 10 hearing on the matter.

Other participants in that discussion included Joseph Fichera of Saber Partners, who spoke on the use of securitization by other power companies to finance infrastructure repairs following natural disasters.

For PG&E to follow through, the Public Utilities Commission apparently would need to implement a rule specifically allowing issuers to funnel their asset-backed bond proceeds into climate-change related plant upgrades. The state government has been friendly to utility-fee offerings in the past, having given the green light to issues including those that helped recover investments in facilities rendered uneconomical by deregulation.

PG&E, meanwhile, was among the earlier issuers of those transactions. It has completed three deals totaling $5.6 billion, one in 1997 and two in 2005.

PG&E also is at the center of a plan under which California power companies would be able to tap securitization proceeds to replace so-called Power Charge Indifference Adjustments collected from individuals who switch from traditional carriers to “community choice aggregation groups” that buy energy in bulk on behalf of residents. A trade organization called the California Community Choice Association suggested to the Public Utilities Commission in April that PG&E and Southern California Edison be allowed to carry out a joint offering of $2.5 billion for that purpose, with the pitch that it would reduce costs for ratepayers.

Three utility-fee securitizations totaling $2 billion have priced worldwide this year, according to Asset-Backed Alert’s ABS Database. The lone U.S. transaction was a $635.7 million transaction that Eversource Energy priced on May 1 with Citigroup and Goldman Sachs running the books.