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Investor Day 2023

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CORPORATE SPEAKERS:

Jonathan Arnold
PG&E Corporation; Vice President of Investor Relations
Patricia Poppe
PG&E Corporation; Chief Executive Officer & Director
Sumeet Singh
PG&E Corporation; Executive VP of Operations, Chief Operating Officer, Chief Safety Officer & Director
Peter Kenny
PG&E Corporation; Senior VP, Major Infrastructure Delivery
Carolyn Burke
PG&E Corporation; Executive VP & Chief Financial Officer
Marlene Santos
PG&E Corporation; Executive VP & Chief Customer Officer
Joe Forline
PG& E Corporation; Senior VP of Gas Operations
Christine Cowsert
PG&E Corporation; Senior VP of Gas Engineering and Service Planning and Design
Carla Peterman
PG&E Corporation; EVP of Corporate Affairs & Chief Sustainability Officer

PARTICIPANTS:

Peter Diamandis
Progressive Automotive X PRIZE; Chairman and Chief Executive Officer
Brian Rice
California Professional Firefighters; President
Ann Patterson
Office of the Governor CA; Cabinet Secretary
Julien Dumoulin-Smith
BofA Securities; Director and Head of the US Power, Utilities & Alternative Energy Equity Research
Agnieszka Storozynski
Seaport Research Partners; Analyst
Ryan Levine
Citigroup Inc.; Vice President

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Steve Fleishman
Wolfe Research; Analyst
Anthony Crowdell
Mizuho Securities; Executive Director
Constantine Lednev
Guggenheim Securities; Associate
Unidentified Participant
Six Street; Analyst

PRESENTATION:

Jonathan Arnold^ So good afternoon, everyone. Welcome to PG&E's 2023 Investor Day -- Investing in California's Prosperity.

We're delighted to welcome our virtual audience as well as everyone that made the trip here in the room today.

So as you'll hear throughout today's meeting, safety guides everything we do at the company and is at the heart of our decision-making. (Operator Instructions)

Next, we're going to cover our forward-looking statements.

And we should remind you that today's discussion will include forward-looking statements about our outlook and future financial results.

These statements are based on information currently available to management, some of the important factors which could affect our actual financial results are described in today's Investor Day presentation.

And the slides along with other relevant information can be found online at investor.pgecorp.com.

I just want to take a moment to introduce and acknowledge the many members of the PG&E senior leadership team in the room. Our main speakers will be CEO, Patti Poppe; EVP of Operations and COO, Sumeet Singh; EVP and Chief Financial Officer; Carolyn Burke; EVP and Chief Customer Officer, Marlene Santos; and EVP of Corporate Affairs, Carla Peterman. And many others have joined us, including Julius Cox, Jason Glickman, John Simon and Ajay Waghray..

We are going to go straight through our program today without a break. Then we'll have plenty of time. And we'll ask you to hold your questions until the end.

Senior team and others will also be available in the cocktail hour and also a dinner afterwards.

And so with that, it's my pleasure to hand things over to our CEO, Patti Poppe.

Patricia Poppe^ Thank you, Jonathan. Well, welcome, everyone. And welcome to those of you on the webcast. If you're on the East Coast, I know it's 6:30. So thank you for joining us. And if you're in Europe, you should be in bed. So thank you, everyone, for making the trip and for being here with us live and in person. It's so good to see everyone.

We are writing a story of redemption here at PG&E, and we are well on our way. And I think over the next couple of hours, you'll start to see that. And those of you who are here in person over the next 1.5 days, you will get to see how that story is taking shape. But it starts certainly with our progress that we have made on our physical risk reduction. Some of you who are able to visit our technology center, we're Thank you, Jonathan. Well, welcome, everyone, and welcome to those of you on the webcast. If you're on the East Coast, I know it's 6:30. So thank you for joining us. And if you're in Europe, you should be in bed. So thank you, everyone, for making the trip and for being here with us live and in person. It's so good to see everyone.

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We continue to make financial risk reduction, and I'm proud of the progress that we've made. We have sector-leading rate base growth. And that rate base is in growth that customers care about. It's in an infrastructure that's climate-resilient that matters and is affordable. And we'll share more and more about how our performance playbook is enabling our ability to deliver value at the lowest cost possible for customers.

And it's exciting to see the progress. You're going to get to see signs of it today because our whole system is anchored in our simple and affordable model. And that simple and affordable model has got a lots of runway in PG&E, and we're just feel like we're really catching our stride, and you'll get to see that as you hear in people's presentations today.

And finally, all of that performance -- I have a saying, performance is power. And when you perform, when you keep your promises, when we do that, we have the power then to influence the strategic direction that the stay going in and the decisions that are made on our behalf are enabled by that performance. And you'll get to see how our trust and our relationships continue to grow with people inside and outside the company, and you'll get to see some special guests with us here in the next 1.5 days, who will share with you the sense of progress that they're feeling and how our trust and relationships continue to grow.

And one of the things that I know is true is that we have the team for that time. The team that you will have an opportunity to meet, both the people on this slide and the one that we're reference -- that Jonathan has referenced earlier are incredible people, and that doesn't stop there. The depth of talent in this organization is extraordinary, and you'll get to see some of that, and you saw some of that for those of you who have been here, you've seen some of that in person. And it's pretty exciting to hope is exciting to you.

We're going to have Sumeet Singh kick us off talking about the physical risk reduction and the technology we're deploying. He'll be breaking some news with you. So I won't steal his thunder about the progress that we're making, what that means for wildfire risk reduction followed by Carolyn Burke, our new CFO. This is her big debut, and we're excited that you'll get to see the Carolyn that we see -- sorry I'm supposed to tamp that down. She's amazing. You'll get to figure that out. Then we'll give you an early view into our 10-year capital plan. So that will be your first view of that other new news for you to see today, and she'll give an assessment of what she's observing here at the company and the progress that she sees that we have made, but more importantly, the progress that we are yet to make, and she'll share her views with you on that.

Followed by Marlene Santos, and I'm particularly excited about Marlene's portion of our program today. Marlene is going to be joined by 3 of our senior executive leaders who are actually deploying our performance playbook and particularly or 4 basic -- or our 5 basic plays now of our Lean playbook. You'll get to hear real-life stories and how that Lean playbook is taking shape in our operations, in our organization, and you'll get to start to see. You'll just get a glimpse of the depth of talent that exists here at PG&E, and I think you'll like what you see.

And then finally, Carla will be joining us and bringing home the story. Carla will be sharing progress on our regulatory and legislative matters, talking about the relationships we're building, and both Carla and Sumeet are joined by special guests. Again, I won't steal their thunder. I was told to keep this brief. So they will share with you and be joined on the stage with some special guests yet here today.

So with that, with no further ado, I'd like to turn the mic over to Sumeet.

Sumeet Singh^ Thank you. All right Good afternoon. Excellent. Well, I want to extend my sincere appreciation for everyone making in person and also for those that are joining us on the webcast.

So I want to start with the fact that PG&E is continuing to make significant progress to mitigate the risk of catastrophic wildfires caused by our equipment, and it's really grounded in the fundamentals of our layers of protection approach.

Many of you that are here today have the opportunity to go across the street at our Applied Technical Services lab and firsthand see the innovative technologies we're implementing to dramatically reduce the risk of ignitions caused from our equipment. And to further our mitigations, we're investing in innovative partnerships, piloting state-of-the-art technology, working with best minds globally such as Peter Diamandis who is the Founder and Executive Chairman of the Board for the XPRIZE Foundation. We'll talk more about that later.

And also working very closely with our state and local stakeholders, diligent action to continue to reduce the risk of catastrophic wildfires, which is why I'm so privileged and have the pleasure to have Brian Rice, who is here with us in person and will be joining me up on the stage shortly, and he is the President of California's Professional Firefighters. and I will talk a little bit more about his impressive and tremendous background.

So before I invite Brian to join me up here, I want to share a couple of highlights with you. The first highlight is our 2023 wildfire land we filed at the end of March of this year. And it continues to build upon our layers of protection approach from 2022. And our layers of protection include enhanced inspections, redesigning our electric system, making it more resilient, which also includes our 10,000 undergrounding miles. You're going to see a lot more about that tomorrow. And Peter Kenny is going to be here, joining Marlene to talk more about the (inaudible), that team is making. Our enhanced power line safety settings fab, our public safety power shutoff programs and our advanced situational awareness and response capabilities. And we continue to estimate that our layers of protection are driving more than 90% wildfire risk reduction today.

And in 2023, we are building on these core elements. So some of the core elements that we're building on is implementing additional and expanded operational goals.

The first I'll highlight, you had the opportunity to see a video down of this at the lab across the street for those that are here in person is a down conductor capability. And we're enabling more than 1,100 devices within our high fire risk areas to be able to mitigate ignitions that are typically caused by low current fault conditions. And it's really a complement to what we've already implemented within the entirety of our high fire risk area and beyond, that was very successful last year on that as well, which is our enhanced proven settings program.

In addition to that, we've also implemented our partial voltage force out capability, which is basically leveraging our more than 500,000 smart meters in the high fire risk area to be able to identify any potential anomalies on the electric system for proactive shutoff. In addition to that, we are expanding our transmission pole clearing program, have already implemented additional controls for our transmission system to further mitigate the risk of ignitions caused by our transmission equipment.

So when we look at these layers of controls that have been proven and effective in 2022, coupled with the additional and expanded programs and the controls I just talked about, I'm very pleased to share for the first time with you, but with these controls, we are mitigating an additional 40% of the residual risk to overall increasing our wildfire risk reduction to 94% this year.

But we're not stopping there because we're not satisfied. And again, for those that were here and joined us for lunch, and we had the opportunity to engage with cables you got to see some of the advanced technologies that we're currently piloting. So this is not pie in the sky dream, it's actually sensors that we have deployed on a pilot basis to our electric system today and are evaluating and capturing data on faults or conditions that may not be detectable via traditional tools and also performing and detecting hazards before a fault actually occurs, and that gives us additional speed by which we can detect an anomaly into a proactive shutoff before that risk materializes.

Because one of the key objectives on mitigating the wildfire risk from an operational mitigation standpoint is speed, speed of detection and speed of action to be able to mitigate that risk before that risk materializes. These are the technologies that we're looking to continue to drive that risk (inaudible) down further beyond that 94%. And we're not going to rest until we mitigate the entirety of that risk.

Now when I look at our advanced capabilities on the metrology side, our capabilities that are state of the art on fire science. We have the ability, no matter what the weather conditions are, whether it be drought-like conditions in 2022, and or the regrowth of vegetation that we're seeing now as a result of significant amount of precipitation that happened in the first quarter of this year in our service area or (inaudible) conditions. Our mitigations are responsive to the range of these weather events because we have the ability to be able to predict the other and prevent a catastrophic outcome before that risk materializes.

One example I'll share with you about our preparedness and response capabilities, which have really been enabled by advanced metrological analytics is just in the first quarter of this year, and we experienced 55 storm days. That's not typical, right? When you look at an average year for us. It's 10x what we typically see from a historic perspective. And in those 55 storms, we had new 7 million customers that were impacted, but we were able to restore nearly 90% of those customers within 24 hours.

And the way we did that is because we were able to leverage our advanced meteorological science and capabilities be prepared with equipment pre-staging the resources and when the storm hit, safely ensure that we're restoring our customers. The preparedness and response capabilities are enabled by these advanced analytics. That's really the key takeaway there.

Now I want to -- we're not stopping there either, right? We're partnering with the best minds globally. And recently, many of you may have seen that we announced our partnership with the XPRIZE foundation, and we're partnering with the Gordon and Betty Moore Foundation on a global competition and bringing the best minds globally on a 4-year $11 million investment and unleashing the potential and innovation that exists around the globe to be able to end destructive wildfires. And the intent the objective of this competition is to be able to autonomously, autonomously, say that again, right, suppress wildfires within 10 minutes and pinpoint ignitions from space within 60 seconds or less.

Now many of you may know about the XPRIZE Foundation. They design and build and are a very trusted platform for global and public competitions. And in fact, one of the first competition is the sponsor was in 1996 when $10 million were invested to build and fly a 3-person vehicle, 100 kilometers into space, 2 times within 2 weeks. And there's 26 teams across 7 nations that ultimately resulted in with the $10 million of seed funding $100 million of investment.

And that actually was the catalyst for the commercial space line innovation and the genesis for Virgin Galactic that exists today. So this is the real deal from our perspective. And we actually have a message that we would like to share with you via video from Peter Diamandis who is the Executive Chairman of the XPRIZE Foundation. So if we can roll that, please, that would be great.

Peter Diamandis^ It's Peter Diamandis. I'm the Founder and Executive Chairman of the XPRIZE Foundation, and title sponsor for XPRIZE wildfire. PG&E has led the way with us alongside the Betty and Gordon Moore Foundation, Lockheed, the Hilton Foundation, Minderoo Foundation to enable us to fund and launch this competition. This is a chance to put to rest devastating wildfires, unplanned wildfires for the first time ever. You wouldn't change the way we fight wildfires in 50 years. And now in a world where we have all these exponential technologies, computation, sensors, networks, AI, robotics, drones, it's time to reinvent it. So this is a competition, asking teams to do two things: one, to put a space-based layer that is able to monitor large swaths of land.

The second thing that I'm most excited about is giving teams 1,000 square kilometers and saying to them, if you detect a wildfire that is 2 meters or larger or moving, put it out autonomously within 10 minutes. That's the goal. The hard part is being able to put it out at scale on its own. And so we're challenging teams around the world. This competition really gained this momentum when I had a chance to meet Patti Poppe at an event -- not in Silicon Valley -- NAPA Valley. And Patti, you instantly got the deal and you connected me to your incredible team, and it was a very rapid process to get to the point of supporting this launch.

Mark Quinlan, you were at our event announcing this during Earth week in Washington, D.C. at the capital building. And we have now over 50 teams around the world. We may get to hundreds of teams in taking different approaches coming to the table because PG&E stepped up to co-title lead this competition. Thank you. I wish you all the very best.

Sumeet Singh^ (Inaudible) already teams across countries. I've always submitted and are interested in this innovation. And with that, we've heard from other teams that all of the hardware already exists or accomplished this feat. What needs to be done is to be able to integrate that hardware into new software approaches, build a packaged product and target that towards this problem. That's very, very encouraging. We look forward to seeing that prediction comes true, but it's outstanding to be able to bring the best minds globally to this challenge, not just to add the catastrophic and destructive wildfires in California at a global level.

But we're not stopping there. All right. We're continuing work very closely to our local and state stakeholders, which is why I get the privilege to be able to have Brian Rice, who is our -- and is the President of the California Professional Firefighters.

And before I welcome Brian, I'd like to share a couple of things about his impressive background. He's been involved with the California fire service and the Firefighter Labor Union for more than 3 decades. He represents 35,000 firefighters, paramedics and first responders in California, including more than 5,000 of the state or Cal firefighters. He is one of the state's most influential labor union leaders sitting on the executive council of the California Labor Federation. He has spent more than 30 years with the Sacramento Metropolitan Fire Department rising to the Deputy Chief of Operations.

And he's also an appointee to the State Board of Fire Services and sits on the State Board of Fire Scope which provides recommendations and assistance to the California's Office of Emergency Services. So with that, please welcome Brian Rice. Good to see you. we'll take a seat right there.
Brian Rice^ All right. One in between us or next to each other?

Sumeet Singh^ Next to each other. Always partners.

Thank you so much, Brian, for joining us today. And I also want to extend my sincere appreciation and gratitude to what you do, our 35,000 firefighters in service of our hometowns and making sure you get the residents of California safe. So thank you so much for what you do.

Brian Rice^ And everyone here, thank you for having me, and I've been looking forward to this forum for this discussion. So thank you.

Sumeet Singh^ Excellent. So maybe, Brian, we can start with -- can you share some of your insights that the state of California has had in regards to rapid detection and suppression of fires, and how would you characterize the capabilities that exist today as compared to what existed several years ago?

Brian Rice^ Let's just go back a decade. It's night and day. I think I'll kind of start at a beginning point and go back. Really, when I came in at about 2018, we were in the middle of some really severe fire seasons. And I've watched the state of California and their commitment and also Governor Newsom and his commitment. And we all know that adage show me your budget, and I'll show you what's important to you.

When Governor Newsom came in, he was coming in on the heels of the campfire. We toured it personally and brought the first partner up and then the governor-elect, then also then-Senator Kamala Harris. But what I noticed was his intense commitment and he hadn't done anything yet, but he could tell he was listening. And this wasn't a dog and pony show. This was meeting firefighters in the field. So it goes from Governor-elect to Governor.

The first press conference demand had was over wildfire mitigation protecting communities and wildfire prevention. And that started -- that was the day after he was sworn in, and that started that commitment. He immediately, the state of California led by the governor put $2.8 million into a 4-year program of mitigation, vegetation management and a partnership with the federal government with the end goal of 2025 of mitigating and doing fuel reduction on 1 million acres a year. And there's so much more than that than just that statement because at that same time, we had a number, our fire seasons were year-to-year. They were not, were not having an off-season, in CAL FIRE's budget, who's our state fire service and really has the charge for the wild land -- wildfire problem, their budget has gone up since 2016. It's doubled to almost $3.8 million. He's brought in 500 new firefighters.

It is hard to onboard 500 new firefighters. You don't just do that in a year, so that will take a little time. updated the fleet for CAL FIRE with Firehawk helicopters and then securing 7 C-130s for government to bring in the air tanker response. Then you go and look at in order to begin this mitigation process, 58% of the wild land in California's federal property, 30% is privately owned, 3% of it is the state is responsible for. So there's a lot of stakeholders or partners in this.

One of the first things that he did was to reduce and roll back some of the sequel requirements, the California clean -- I'll get my acronym messed up. But he was tough.

And there are some tough restrictions. He rolled them back, so the mitigation process could start.

Then we saw the tech side of it. And the way that we get noticed for fires, we still do the old way. We have fire look out still, but they also have infrared cameras and doppler radar and different radar sites. So we're getting those notices sooner and sooner so that we can get on top of them. All the time that, that's happened, as I sit on the State Board of fire services, we discuss utilities in response to not only fires, but what we do together, how we put things back together because we work together in that venue too, but we also talk about the public safety, power, PSPS and how we coordinate and deal with that. I can't even name to you the number of partners or stakeholders that go into those conversations.

I'm going to forget something to, and I apologize for that because there's a lot there, and it's all important. It all matters. When you get to that point with the technology, CAL FIRE and OES formed the wildfire forecast and threat integration center. And what this center does is it brings in data, and it's analyzed. It used to make plans. It's used to forecast where things are going on the fire front, the weather, the people involved in that the CPUC, the CDM. Don't ask me what that stands for. California UC System, the California State College System, it's broad. And all that information gets brought in there and it gets digested and it gets into the field so that the field commanders and the firefighters on scene can actually use that to mitigate the emergency.

And then after that, and this one is super important, and this goes to PG&E employees to the IEBW members, they're some of the most trained and workforce in the world. They really are, and they work for PG&E and they're members of the IEBW Union. Firefighters are the same way. There's 30,000 of us. We have a performance-based statewide training program that we are integrated in with the community colleges. And at any given time, there are 10,000 apprentices within the California fire service that are on duty every single day, working to that journey level in a job that is incredibly dangerous and incredibly complex. All of these things going together show the importance that the state and this governor has put on wildfire response and mitigation.

Sumeet Singh^ Well, thank you, Brian. And I can just underscore the leadership that you've actually through this challenging time for the entire state of California. And just so encouraging to hear the tremendous capabilities right that exist today as compared to where we were at a state level.

I always talk about it takes the collective, right? It takes all of us all in to continue to mitigate the risk of catastrophic wildfires. So that transitions to the next question, if you can, and some of this you already started to talk a little bit about, maybe you can elaborate more about some of the current partnerships that your organization and state of California has with us to collectively mitigate the catastrophic power risk.

Brian Rice^ So I really started having intense discussions about mitigating the wildfire risk, on the heels of the car and the camp fire is wind. And that's really when we first met to and started having some discussions on what actually works, and there's -- I'm proud of all the relationships and partnerships. There's two. I'm very proud of being a part of and one is the undergrounding Advisory Committee, which I get to co-chair with Carla Peterman, and sometimes you do these things, and you're not really sure is there going to be a deliverable, are we going to make a difference? And I can tell you, sitting here today, we're making a difference.

And just in being able to look at the undergrounding, what it takes, what it has taken to get there, how you -- how PG&E is a utility learns as it goes along, it brings cost down, makes it more affordable, makes the men and women on the job doing it more proficient as they get things done, but it works and the -- I'm not -- I won't even go there, but the 10,000 miles of undergrounding -- and wait to hear this. It is a big deal.

And one of the things that I realized right in there and it makes total sense. If you put a mile of active or charged electrical line underground, I don't care how big it is, maybe the biggest in the world, it doesn't matter. If you put it underground, you have reduced your risk fire by 99%. It's an incredible amount that works. The other one is the asset protection teams and the safety asset protection team. I was a ground floor with PG&E management and IEBW leadership also.

And I won't go all the way there, but there's a lot of private companies that come from out of state that are contract for profit firefighters, and we're having an issue with it, had a discussion with PG&E and literally at the snap of the fingers, we got leadership, firefighter leadership, PG&E leadership and IEBW leadership and we came up with these asset protection teams. We work together on it.

And essentially, the prepare sites, hazardous sites or were hot work are going to do, they prepare the site so that it can be safely operated on and reduce the risk of firewater active work going on, and then they do a standby, ready to mitigate anything that could happen. They're not firefighters. They know it. We know it. And they get the system going. We've been doing this for 4 years.

Sumeet Singh^ Yes. Started in 2019, yes.

Brian Rice^ I have not received one complaint in well over 3 years. Maybe there's a handful of them when we first started. This is a big deal because it puts people that can really check the situation and have the hold on, the work because of weather and the wind is not right and be able to go back to.

And one of the things that I was pretty proud of and tickled by IEBW is that said, Brian, we don't want our men and women here to be firefighters but it would really be helpful if they were trained EMTs because sometimes we're remote, and it's like, no, I get where you're going to be able to help your workforce? Absolutely, they should do that. So we made that partnership. It is working fantastically.

And one other one. And I have to -- I think have to be 360. I'm the chair of the California Foundation. And I didn't even say but going into Governor Newsom when he was a, when he was elected, he didn't do an inauguration. We'd had the car fire in the camp fire, and he said, in place of that, I want to do a fundraiser. And he called it California Rises, and our foundation was a part of that. and it raised several million dollars, but I'm super proud to say that we work hand in hand with state leadership. We worked with you guys on some of this because we're involved with you too to actually put in his case, over $4 million back into the community for fire mitigation projects. Some of the ones, there was one in Northern California in Trinity. It was a conservancy group, and it was a very, very small community.

We had a community center and 1 road to an airport, and it was overgrown and it was one way in and one way out. And if they had a fire, people were trapped and people were potentially injured and died. They use that money to treat that entire forest area and make it safe. They did a mastication process, which eats everything up and kind of turns it into sawdust on the ground. But I just went, this is what this is about. It isn't, hey, we did 100,000 acres, hey, we did 1 million acres. It's communities in partnerships with whether it's PG&E, the state of California, Fire Safe Councils, California Fire Foundation. The partnerships matter, and the state of California notices those partnerships, and it has meaning and it adds up. That was kind of by 360 on that. My look into this is more than just a firefighter.

Sumeet Singh^ Thank you, Brian, for that. And just very, very helpful and your partnership has been tremendous. I call it the power of one, right, when the collective us is working on this unified mission. So just to bring it home. I know we're out of time, so we'll keep this one a little bit brief is.

Maybe you can share your perspective and also the stakeholders that you have an opportunity to engage and work with about PG&E's progress in mitigating the risk of catastrophic fires.

Brian Rice^ So different meetings that I've had and then the underground, the underground advisory group and then just work in the field, we have come a long way. PG&E is a company, the fire service as a profession. And then I believe, collectively, but I think we all know we have a long way to go. And we are going to have a next fire. And hopefully, we don't see the likes of some of the ones that we've had recently I will say this, the attitude and the actions and the results that I'm seeing, if I didn't see these, I wouldn't be sitting here today. I am committed to making California fire safe, been a public utility and a large utility. Unless you don't realize it, it's a risky businessmen and women. It doesn't come without risk. And I will partner up with the company as long as I see the corporate responsibility and the responsibility towards the citizens that I'm seeing right now.

There's water under the bridge, and we can't make -- some of that we can't make right. You know what I'm talking about, I know what I'm talking about, and we're plagued by that. But we can make it better. And what I am seeing in the last several years in demonstratable and quantifiable work and results is that PG&E is really doing what they need to do to be a good business, a good utility provider and a good partner for California.

I think the biggest thing is none of us can take our foot off the gas because this is such a delicate balance and a very hard-earned reputation, you cannot sit back and go, "We're good. We've got it all covered. We're doing this. We're doing that. We can accept this." The fire service is not a low bid service. And you know what, PG&E is in either, and I'll end with this. And it's super important.

As a fire captain, I did a ton of emergencies with electricity, but in Sacramento, it wasn't PG&E, but gas, a lot from service lines to distribution, and I cannot stress to you how important it is to us as firefighters to see a PG&E blue truck with uniform men and women pull up that are going to work with us, mitigating an injury.

We know that they are skilled and trained and that they are same professional level that we are. Never go low bid. It is super important. The men and women that work for PG&E. We have a lot of faith in them in what they do. They keep us safe. That's super important. We have to stay together. And once we get lazy or think we finished, we have every chance to set ourselves back 10 years. Don't take your foot off the gas. My intention is to be a good partner.

And in closing, I do talk to the governor about this stuff. It is important to me. My members get killed on these fires. And I have to do everything possible to make sure that things are balanced as much in their favor as we can possibly do. We're never going to eliminate risk of potential injury and death, but we sure as heck can do everything possible to keep that risk as small as we can and, it has been a good partnership, and I look forward that we do this together and keep our foot on the gas.

Sumeet Singh^ Thank you, Brian. There's no daylight between us in terms of keeping our foot on the gas. So we're unified in that mission. Thank you so much for joining us, Brian.

Brian is going to be with us for the reception and dinner as well. So in case there's any questions you're more than happy to engage with them.

So before I hand it off, just 5 key takeaways I'll leave you with your team. The first is based on the additional mitigations we're implementing in 2023, we're reducing 40% of the residual risk for overall wildfire risk reduction of 94% in 2023. First key takeaway.

Second is we're prepared to mitigate the wildfire risk from a multitude of weather conditions.

Third is that we're investing in innovative strategies like the new announced with the XPRIZE Foundation that will further mitigate the wildfire risk by bringing the best global mines of the world together.

Fourth one is you just heard about the partnership that we have at the local and the state level with no daylight to ensure we're continuing to keep the 16 million friends, families and neighbors that we have the privilege to serve every single day, first and foremost, safe.

And then the last one is we're not going to rest. We will never rest because 94% is not good enough, and we're going to continue to push the envelope on reducing that risk until we get it as low as possible and to 100%, if possible, right? And we're investing in the best technology that's available. It's not pie in the sky. We've already got sensors out there. And we look forward to sharing some of that greater deployment that we're going to do in the future with you and at scale.

So with that, I'll pass it on. Now the privilege to introduce our CFO, Carolyn Burke.

Carolyn Burke^ Rookie mistake. All right. Well, thank you. And I just want to thank everyone for joining us here today. We really appreciate your interest in PG&E. In particular, I want to thank everyone who has traveled here to a great state of California, which is my new home, to hear about our incredible turnaround story.

We value your ownership. Indeed, it is your support that allows us to invest in California's prosperity. So as Patti mentioned, I thought I would give you my early thoughts, my assessment, been on the ground for a few months now.

A couple of things. First, our strategy. It is powerful, and it is achievable. And I say that because I have been on the ground for a few months now, and I have met many of the PG&E coworkers who were making this happen. They are absolutely committed and have embraced the triple bottom line: people, planet and prosperity. And that's because PG&E is their family. That's the culture here. And of course, California is their state. I've never seen a group of employees as committed to ensuring a better future, both for our company and for our state.

Number two, we are providing the tools to our employees to be successful. We are building an efficiency engine here at PG&E, and it is being enabled by the Lean operating system. I have never seen a company adopt Lean or anything like Lean as quickly as PG&E has. It is extremely impressive.

And I would say the biggest challenge with this is simply scale. We have 26,000 employees, okay? 26,000 employees to train from reacting to emergencies to proactively planning and mitigating. But imagine the power of 26,000 employees all pulling in the same direction.

Our focus, this is number three, continues to be on our customers and our investors. But what truly differentiates us is that we are laser focused on delivering a consistent financial performance year in and year out.

Number four, the more I learn about California's regulatory environment for utilities, the more I like. It truly does allow us to invest in California's prosperity.

Underlying all of this is really strong leadership alignment. It is one of the key reasons that I decided to join the PG&E team, and I believe it is one of the key elements of our value proposition.

Okay. So let's talk about another key element of our value proposition, capital investment. So the need and appetite for capital improvements to our system is significant. There's no doubt.

Our 5-year plan currently amounts to $52 billion of investment. I am pleased to provide you with more visibility into our longer-term plans. As we look at the next 5 years, we plan to invest $67 billion with a continued emphasis on safety and reliability. That's a 30% increase over our current 5-year plan. So let's see how we get there.

First, and this is important, there are no big bets, okay? There's no giant power plant. There's no mega infrastructure project here. Instead, what we have is a diversified portfolio of programs and projects in our electric and gas operations.

Let's talk about electric operations first. So in 2023, our capital investment for electric operations amounts to about 64% of our total plan. In 2027, it grows to 70%. That's largely due to the scaling up of our undergrounding program, but it also includes an increase in basic maintenance outside of our wildfire risk reduction program. Additionally, what you'll notice is that electric transmission and customer connections is also growing over this period of time. And that is as we invest to meet the vigorous standards set by California for electrification of vehicles and buildings.

Finally, gas operations. As many of you are aware, our gas operations benefited from a significant investment after San Bruno. And this plan, our capital investment in gas basically holds steady over the decade, but it still equates to 20% of the total plan. That's still significant, and we believe it is still industry-leading.

So in total, that tallies up to about $120 billion investment over the next 10 years. There's some pretty significant dollars. But what our customers get for those dollars is also equally impressive. You already know about the 10,000 miles of undergrounding, but our plan also includes work on 1,000 miles of service lines, 500 substations and interconnecting 10,000 megawatts of new capacity.

But we're committed to making these investments, okay? We want better outcomes for our customers. We want better safety. We want better reliability, and we want better quality of service. And we are going to spend wisely, we're going to spend wisely on wildfire risk reduction. And we are going to enable California's energy transition. We're going to decarbonize the state, and we're adding to the resiliency of our system as the climate changes.

We are also addressing growing demand from customers for electrification of both vehicles and buildings. And we are going to do this by helping to fund it through our own productivity gains and eliminating waste. And that's important that we do that. Waste elimination is a key part of our story and you're going to hear more about that.

And it's important because we believe that there is additional opportunities to address the customer needs, customer growth and customer demand for electrification. We estimate that there is an additional of $5 billion investment needed to respond to that demand that is not in our current plan. But we are working hard to make sure that, that is affordable and that we can efficiently deliver it. And that's what's key. We're not going to invest this unless it's affordable unless we can efficiently deliver it. And so what we're looking at is our -- we're looking internally. We're looking at our own IT. How can we be efficient with more IT? How can we bring automation to our operations, and again, how can we do more waste elimination because affordability matters, okay?

I know that many of you are familiar with this slide already. We've pulled it out a couple of times before. Simple affordable model. It is truly simple, okay? We deliver cost reductions. We benefit from load growth and then we implement other efficiencies, like efficient financing to offset rate base growth, and that is rate based growth of 9%, sufficiently offset to limit customer build growth to about the rate of inflation of 2% to 4%.

On our recent earnings call, you heard about 2 new initiatives, new potential savings initiatives, trenching and postage. You're going to hear from my colleagues later today that we have other savings initiatives on the plate as well.

And we have a what we call a fast start here. We already saw 3% of savings in our 2022 nonfuel O&M. We're comfortable with that 2% target in 2023 and in the long term. And let me tell you why. Let's compare ourselves to our peers, okay?

So nonfuel O&M per customer for our peers in the top quartile is about $600. Fortunately or unfortunately, PG&E is at the bottom of the heat in the fourth quartile. And over the last few years, our costs have been increasing faster than our peers.

My view, that's opportunity. And we are working very hard to embrace that opportunity. As I said, we had that 3% savings in 2022. So as you can see, you can understand why we are very confident that we can achieve 2% savings. And again, that's absorbing inflation year-over-year-over-year. And if we do that, we can provide affordable service to our customers. This slide illustrates how we're going to do that.

So here, you have in 2023, our revenues, basically our customer collections. It grows to $25 billion in 2027. Again, a simple, affordable model. We invest capital, CapEx and we have some efficiencies. But what I really want you to note here is a substantial shift from expense denominated costs in 2023 and to capital-related costs in 2027. That alleviates the pressure on our customers' bills. And it's because we are investing in permanent fixes not repairs. The undergrounding program is a perfect example. Now this model also enables us to provide consistent EPS growth throughout the time frame.

So that is affordability for our customer. Let's talk about affordability for our balance sheet, okay? We all know that as we invest our capital, we provide benefits to our customers, improve safety, improve reliability. We also know that as we invest in our capital and grow our capital. We grow our earnings, good for our investors. But what we don't want to forget is that as we grow our capital program, operating cash flow also grows.

So here's our capital investment program. And as you can see, our operating cash flow is growing from about $4 billion in 2022 to about $10 billion in 2027, improving our overall balance sheet.

We are committed to increasing our FFO to debt metric to the high teens -- I'm sorry, mid-teens -- replace that mid-teens in 2024. And we believe -- sorry about that, I got confused with the mid- and the high. So mid-teens in 2020 -- in 2024. And I don't want to forget 2 things. One, that reduces interest expense, our financing costs for our customers. What I really don't want you to forget is that because of our significant NOLs we have minimum exposure to cash tax for the rest of the decade.

So our value proposition. There are a few utilities that have such a significant capital investment program with growing customer demand. And there are a few utilities that have such ample opportunity for O&M savings. And I will submit there are a few utilities that have such an aligned executive team with a Lean operating mindset. That is our value proposition. It is tremendous, and it will lead to affordable service for our customers and a simple, affordable model for our investors.

And with that, I'm going to hand it to Marlene.

Marlene Santos^ Thank you, Carolyn, and good afternoon, everyone. For those of you that don't know me, I'm Marlene Santos. I am Chief Customer Officer. I have been with PG&E for a little bit over 2 years. I spent my entire career at NextEra Energy. Most of it atropine in various leadership roles and most recently was President of Gulf Power.

My team here now at PG&E, is responsible for all of the customer operations, for communications and also for implementing the Lean operating system.

We might wonder why in the world is a Chief Customer Officer implementing the Lean operating system. So there's some really good reasons for that. The first one is that for us, lean is about our customers. It is at the center of our customers, and it's about providing processes that optimize the customer experience and provide value to our customers so that then we can provide value to all of you, our investors.

And secondly, I, because I was at NextEra and FPL from my entire I received a whole lot of training and experience in quality management. So those 2 things work out really well. So for those of you that don't know about lean, I thought I'd give you a little bit of understanding of what it's about. It's actually been around since at least the 1990s. Toyota sort of was the one that popularized Lean and lots of companies use it, global leaders. It's proven. It gives results. It improves performance culture of the companies. I've given you some examples here, everything from Toyota he has used it to improve quality and safety to Starbucks, who's using it to measure how many coffee beans they put in a cup of coffee in order to eliminate waste. So this is used and proven. That's really the key that I wanted to mention here.

And we have actually implemented lean as part of our performance playbook. So it's part of our culture, and you've heard about our 4 plays. This year, we have fifth play, which is waste elimination, and I'm going to be getting into that more deeply with some panelists that will come and join me in a little bit. But just to give you sort of a summary of those, our first play is visual management. And visual management is our ability to very quickly, at a glance, know how we are performing to our most important metrics.

We take that visual management then into our second play, which is our operating reviews. Our operating reviews are about daily, weekly and monthly, having business performance reviews with our teams that very quickly can escalate issues and where leaders can very quickly also know if they need to provide any support to their teams, so their teams can be successful.

The third play is problem solving, and problem solving is about giving our coworkers a standardized set of tools and methodology so that they can solve problems, both simple problems and more complex problems. Standardized work is a methodology for us to understand the sequence of events that need to occur in order for us to provide consistency in our work.

And then lastly, waste elimination, which is our fifth play is a way of thinking. It's a way of thinking that we're teaching our teams in order to identify non-value-added work to take that out of our processes and redesign processes that are optimized and that are efficient. And we'll be showing you some examples of that. So I'm excited to do that in just a little bit.

But this is what Lean looks like for us. I wanted to show you this picture because it's very different. It's very different than what most of you are used to. If you can see on the slide on your left, it's very active. That's a picture of us in one of our Lean centers. So we've got 16 Lean centers, and that's where we gather to do our operating reviews. You can see our visual management.

These centers are both they're hybrid. They're physical and they're virtual. So we have digital versions of them, too, but we love together when we're together and do the visual management. It gives us a lot of energy. That's how we collaborate. There's a lot of psychology around why it's physical, why we're together, why we fit on the Board, why we have markers, and we mark things on the paper, so there's a lot of psychology around that, and we find that it truly gives us a lot of energy and give us -- is giving us some great results.

Wildfire Command Center was our first Lean center. And you've seen the results, right? I mean clearly, what Sumeet showed you today, Lean has been a core enabler to providing us with results in our wildfire area. And I, myself, as an example, I have one of those centers myself, and we measure things that are important to our customers, like customer satisfaction, like complaints I mean like news, positive news. All those types of metrics, and I'm getting together with my team in that same cadence in order to make improvements.

So let me tell you about the fifth play. And by the way, there's not going to be a sixth play right, Patti, not yet. So we are just started implementing Play 5, waste elimination.

And as I mentioned earlier, it's a way of thinking, it's a way of thinking that we're teaching our coworkers so that they can identify waste, eliminate it and redesign our processes. We talk about 8 types of waste. You can see them on the slide. Everything from inventory to waiting to overprocessing to defects. Those are all types of waste. And we have a joke amongst ourselves is like, once we teach our coworkers to see waste, it becomes a curse, your curse is like you cannot unsee waste.

And you're one of those people that goes around like seeing waste everywhere you go. And it's like, "Oh my God, you get paranoid with -- for the business, it's a good thing for their daily life. I'm not sure. But for the business, it's really good. And we're really excited because we've gone really fast. We're getting really good results. We already have a project pipeline of over 200 projects. They're all in different phases, and you can see sort of our phases from ideation to actual financial realization.

And so what I thought I'd do today is to bring up a couple of my colleagues to the stage, and they're going to actually tell you how their projects are going.

So colleagues, welcome up, and I'll introduce them when I ask them a couple of questions. Come on up. What a good idea.

Okay. So we're going to start with Joe Forline. And Joe is our Senior Vice President of Gas Operations. And Joe has been with us about 2 years, and he comes from PSEG, a long career in the gas business, came to us from PSE&G in New Jersey, and he has done an amazing job leading our gas team and taking them through their Lean leading journey.

So tell us about the Lean journey and specifically waste elimination, what you're doing.

Joe Forline^ Thank you, Marlene, and hello, everybody. It's great to be here with you today. I love working with Marlene and PG&E and the team, and I'm really excited about what we're doing. And I'm going to give you just a simple example of how we use Lean in our operation. So next slide, please.

Marlene Santos^ I can't be drinking water.

Joe Forline^ So take a look at the part of the slide on your left that it shows 1,637 damages. So what is a damage or a dig-in? Basically, if somebody wants to take a hole, if you want to dig a hole in your backyard or a contractor wants to dig a hole or do a construction job or build a house, you have to call the utility and we mark the underground facilities. And if the facility isn't marked correctly or if the records aren't right or if the contractor doesn't call in, they can hit a gas line and hitting at gas line is one of the most significant risks in the utility industry or with any gas company. So whenever you're looking at risk associated with gas companies, a good area to look at is how they manage their damage prevention program and what type of performance they have.

So I've been marketing the gas industry in my whole career, and I'm out here in 2021, and I'm really working hard on my damage prevention programs. And we end up with 1,637 damages, top quartile in the country, really strong program, super impressive, tons of improvements made since San Bruno by many of these leaders here.

You get a 5% improvement target. You're saying, gee, how are you going to reduce your damages by 5%. It was the lowest number we ever had in the history of company, and it was the year of COVID when nobody was digging. So of course, I argued against the target. That was not going to be achievable, but we put our 4, now 5 plays into action. And you could see the other part of the slide shows all 4 plays.

Number one is the visual management. You saw a great depiction of the room amazing just to watch the Wildfire Command Center as it evolved over the years. But we had a similar room with a board, and that's our Board there for damage prevention. And it shows every one of our headquarters facilities. I have 38 headquarters facilities up and down California, and that visual management shows how many tickets came in, how many people are working, where they were distributed, when they were due, where they covered? What was the damage rate yesterday? What do we expect it to be today? How many times you have to stand by? You get to see a nice picture of everything that's going on in the process and you start to identify opportunities when you get into play #2, which is your operating reviews.

Every morning, we review the results every morning review the prior day's damages. What was the cause, Who did it? Why? Every week, we look at a pattern. How are we progressing toward our monthly goal? And then, of course, we have our monthly operating review.

So for every metric, every department you have a simple periodic review at all levels of the company as to how you're doing against that metric. So that brings to play #3, you start to see patterns and play #3 is problem solving to a simple 8-step process to find the problem through continuously improve.

And we went through a problem solving, and we found we had inconsistent performance across our headquarters. We found that people were doing their marking out the facilities differently that we're using their mapping tools differently. They had different markout equipment or locate mark out equipment. They -- and we developed the training course. And everybody went through the training course because we developed 1 way for everyone to do the job called standard work and standard work, which can be applied across all of my departments standard work for located mark was rolled out consistently.

And when we rolled out standard work, we didn't just accept it, we had a process to check in. So every week, we look at all our damages. We look at the cause. We determined if it was human error. If it was equipment error. If we didn't get a ticket, and we make corrections, corrections on the fly. So very impressive process.

On top of that, we also found that we had a savings because we were able to make sure everybody had enough work. We were able to eliminate tickets that had no chance of creating a damage. We were able to do route optimization amongst our locators, and we were able to reduce over time through better planning.

So next year, $50 million budget, we saved $4.6 million, and we reduced our damages by 150. And this year, we're on pace to reduce them by another 200 damages. So 1.6 million tickets we get a year, 1,600 damages now it will be down to 1,272 million. I have a dream of 1,000 tickets. Maybe it will be next year to break that barrier. But it's really important because every ticket could be the one. Every time you strike a gas line, it could be the one. And it impacts customer safety, employee safety, worker safety, risk mitigation, methane. When the gas is flowing, there's a lot of benefits to having a strong damage prevention program.

We're applying these Lean plays all across the company and especially across gas. Marlene mentioned waste elimination. We have an $80 million target this year just in our capital program.

And as Carolyn said, we're going to -- we have a passion to get that savings so we can reinvest it and close that $5 billion gap that Carolyn stated because we know that we have so many investment needs and we have -- we want to keep our bills reasonable for our customers. So we want to, we have a passion to capture those savings and reinvest them in the business.

Marlene Santos^ Thank you, Joseph, impressive results Am I on? Yes. So it's impressive results. And you mentioned earlier, I don't want anyone that sort of forget but your business was already top quarter.

Joe Forline^ Yes.

Marlene Santos^ So already top quartile in making these improvements, I think that's super impressive. So thanks so much.

Okay, we're going to go now to Christine Cowsert. So Christine is our Senior Vice President, and her team is in charge of gas engineering and also service planning and design. She's been with us for over 20 years. She's been in electric. She's been in gas, lots of leadership role. So we're excited to have Christine shared with you what her team is doing to actually improve the customer experience. So Christine, tell us about that?

Christine Cowsert^ Great. Thank you, Marlene. So I owned the process for all of the new customer connections for the company for both gas and electric. And what we started down the path of, in the last year or so, is looking at the value stream mapping process for that work, which means basically laying out the end-to-end process as you see on the slide identifying each step in the process, the pain points in that process and where we have opportunities to streamline and make the experience better for both our coworkers and our customers. So there were a couple of really dramatic insights that came out of putting this visual on the wall and starting to look at the time lines associated with our process.

So first of all, we noticed that we had a significant amount of customers that came in the front door in our intake process that didn't make it all the way through the process that at some point, they decided that they were no longer interested and no longer continue through the process. That number was 63%. So from the day 1, when they come in the door to the end, only about less than 40% of the work actually got done.

The other thing that we noticed as we laid out the process was from that intake point to when the work was completed, was taking about 330 days on average. But when we went and looked at each step of the process and how long that actually required us to work, how much processing time was in that, that's only about 90 days. So we have a significant amount of opportunity in this process to shorten our time lines and to deliver more effectively for our customers. So we've got a lot of things underway to address that.

So if we go to the next slide. So starting with just a few key areas that we're looking at. Within our intake phase, one of the things that we noticed was we had customers coming to us who were really just sort of kicking the tires, right? They were trying to get an idea of what it might cost to do some work or what the scope might look like. And we were treating all of those applications as real applications.

And so one of the things that we identified immediately was we need an opportunity -- we need to take the opportunity to send those customers down a different path than the customers who already know they've got work that needs to be done. That will free up our resources to focus on making sure customers are moving through the process more timely and also will result in less frustration for the customers who are coming to us who maybe are being pushed to make a decision that they aren't really looking to do. They're just trying to get some more information. So that's one big thing.

We're also looking for opportunities to standardize. So within that, once we have someone who's come to us, our intake process was not standard for customers. So now we have a process where we provide them with consistent information. We ask them consistent questions that allows us to make sure that we are taking the right approach with how that customer comes into our process.

Second piece is around our design and estimating process. So this is an area in our end-to-end process where we had a significant backlog, right? We have work that's there. And so customers in that end-to-end wait time are sitting in the estimating and design process for a period of time. And so we have a lot of efforts underway to improve productivity of our estimating teams leveraging our talent more effectively, managing our over time more effectively so that it's cost-effective, and we're also working that backlog of work.

And we're also working on reducing the defects in that process. So this is a key problem-solving opportunity for us and understanding when we have estimates or we have designs that are getting rejected, they're getting sent back in the process, what's driving that? And are there opportunities for us to build standards or educate our teams to avoid those defects going forward.

And then lastly, in our overall cycle time, we've done quite a bit to make sure that work that I was talking about that customers are self-selecting out. Part of that was also just not the work not being ready for the next step. So making sure that work doesn't progress unless it's really ready to move on in the process, helps us free up capacity for the real work.

And we've also been able to do partner with the California Building Industry Association to help us get feedback about our process and implement changes to improve our relationship with that organization and also make sure that the work is flowing more effectively for everyone involved.

And so the -- let me go back -- sorry. So a couple of key takeaways that we've already made progress on is we've reduced our backlog by over 1,000 projects already this year, that's significant progress for the estimating and design team. And we've also already seen a 60% improvement in our customer on-time delivery year-to-date.

We have lots more opportunity in this process, but we're making really strong strides already and excited about what's coming next.

Marlene Santos^ Awesome. Thank you so much, Christine. So grateful that you're improving our customer experience. Very, very grateful for that.

Okay. Sorry, last speaker here is Peter Kenny. And so Peter is in charges Senior Vice President in charge of what we call MID, which is our major infrastructure delivery, and that includes undergrounding, vegetation, management and electric inspections. He has decades of experience. He was before coming to PG&E, he was National Grid. And one thing that I love to say about Peter is that he started his career in the utility industry as a utility worker in Brooklyn, New York. So Peter really knows the front line. So he brings the passion and the knowledge of knowing the front line, which is so important.

So with that, Peter, you've got some really big dollar savings that you're going to tell us about in your area. So go for it.

Carla Peterman^ Thank you, Marlene. And I'm so excited to share with all of you of how we were able to deliver on so many savings through waste elimination. So I'll start first with vegetation management. So if we can go to the next, here you go, is vegetation

Okay. So in vegetation management, we actually began our Lean journey on waste elimination journey last year, right? And we engage with those closest to the work, and we partnered with the union at the IEBW and ESE and saved hundreds of millions of dollars while completing all of the work. And we made significant improvements in both safety and quality.

So going into 2023, we're keeping the momentum going. And we have a $300 million plus reduction challenge, and we are well on our way to achieving that. So I'll provide a couple of examples, of how we're actually using waste elimination to deliver.

So the first here is how we used to do things and we had 24 prime contractors. It's about 8,000 utility tree workers performing work across many different programs within vegetation management.

What that meant was is that they were making several trips, many trips to the same location. So we're really focused on the program. So what we did is we bundled the work, really started issuing or allocating work based on regions. And we really aligned it around our regional model. As a result, we now have 14 prime contractors performing this work. and it's a big impact to our customers because now instead of having sometimes up to 10 visits on the same (inaudible), we're bundling it and we have less touch points, and we're doing the work more efficiently, (inaudible) change there.

Second, is high use of time and expense contracts, so basically hourly contracts. And we changed that from hourly to standard unit rates. And that really helped us, enabled us to do bundling of work. the first one, right?

And if you look at the overall cost structure when we did this, we brought the cost structure down more than 20%. 20%.

The third item here, we have very high standards for vegetation management. And in the past, took numerous visits or rework eat that high standard. But now working with our waste elimination, we were able now to meet quality standards the first time.

All that waste that was happening, rework and our interaction with our customers has completely changed to waste elimination. So for us, on vegetation management, waste elimination is truly all about delivering on our hands. We care so much about our coworkers, about our contract partners, and we know that they're safer today because of waste elimination.

And our quality has improved significantly, doing work the right way the first time. I'm going to save $300 million this year, and we're delivering much better outcomes for our customers.

And go to the second. I'm going to go over undergrounding. So we're really running the same play in undergrounding as we have in vegetation management to deliver $70 million in cost reductions. Again, we engage those closest to the work and partner with our unions deliver on this.

So here's 3 examples, 3 examples of how we would do that. First is that we had a handful of contractors form in this work, undergrounding work. But we know that we have this talent internally. I mean if you just look at our gas operations with Joe, such amazing talent, and they do this work every day. So we're leveraging that talent. We've allocated about 20% of our undergrounding work. They're doing an outstanding job. It's really been a game changer.

Additionally, we're really looking at our specialty contractors, what are the capabilities and how do we ensure that we're using a different skill set, again, all about how we're approaching and contracting and doing more work internally.

The second item is about the size of the excavation, right? Trend depth, we went from 36 inches to 30. We are also looking at the actual width of the excavation right?

If you think about that for a second, right, 18 inches and width, when we're putting in a 2-inch conduit, we need the right-sized excavation for the right-sized conduit. And we're rethinking on how we do this. So it's really about how we design, what's our standard for design, and we're really challenging ourselves to say, how do we do it differently? Not the way that we've always done it in the past, but how do we design differently to ensure that we're doing the right thing in the field for the right job.

I heard this item before we saved on this item alone, $25 million out of the $70 million just on this.

And the last item, again, another example of how we're using design engineering to really change our standards.

So in the past, there was a maximum requirement that when you pull cable that there needs to be a box every 800 feet. In this box, it's a large enclosure. And it ranges from 5-foot to 7-foot width and in length, and it goes around 5 to 7 feet deep as well. So we were installing these out of 800 feet. So we challenge the way we were thinking about this. We've engaged with others. We benchmark with other companies. And most importantly, we engage those closest to the work. And what we learned was there's different ways to do it. Again, the right application for every job. And as a result, we're doing jobs right now that are doubling that.

And so for some additional context, each box costs about $30,000 to install. When 1 job, we're reducing about 3 boxes a mile. It's about $90,000. And because there's less connections and splices, we're actually increasing the reliability of our system. So these are some examples of the big changes we're making. So this is $70 million savings in undergrounding this year, over 350 miles.

Just think about we would extrapolate that over 10,000 miles, improvements we'll make with safety, quality and really how we show up in our hometowns. So waste elimination is a really big deal. It's a game changer for us. And we really have only just gotten started and as many, many ideas here. With that, I'll hand it back off to you, Marlene.

Marlene Santos^ Okay. Thank you, Peter. So impressive, and thank you so much to my colleagues.

So in summary, what's happening with Lean at PG&E., it's growing. It's maturing. We're driving a culture. It's really about our culture. It's a culture of performance. It's a culture of continuous improvement. You're seeing how we're improving the customer experience. We're eliminating waste. We already have over 200 projects that have been identified. We're enabling our 2% annual O&M savings that we have committed. And at the end of the day, it's delivering on our simple, affordable model.

Thank you so much for your attention. And thank you, Tim, for having me.

Okay. And now to close this all is my trusted colleague, Carla Peterman.

Carla Peterman^ I'm glad she called me that. Can I talk about trust?

So it's a good set.

Marlene Santos^ That's why I did that.

Carla Peterman^ I really enjoyed that panel for the work that I do working with stakeholders, having real-world examples is the best. And I'm just so excited. We've been making so much progress that we have those now to share.

As Marlene introduced, I'm Carla Peterman, I'm EVP of Corporate Affairs. And so I have the pleasure of working with our teams that are engaging directly with our local government, state and federal and many of our stakeholders. And I should say good afternoon, actually. You're such an attentive audience. We really appreciate that.

So each Investor Day, I've spoken with you about our commitment to earning and building trust. And I'm going to speak about the same thing again to you today. And that is because we fully understand that having trust and alignment with stakeholders is an important catalyst to making the progress that you heard about today. And so we are not going to give up on making sure that we're building that trust and earning it every day.

I'm very proud that we have had stakeholder support for many of our policy and operational proposals. Policymakers, since we were last together, have delivered many decisions, constructive decisions that support physical and financial risk mitigation. On this slide are just 10 examples from this year and there are more. And I'm going to focus on four of them.

So let me orient you to this slide, and I'm going to start with the first one here, the undergrounding legislation in September 2022. And to take a step back and say everything on this time line took many people to make possible. None of this was done without support either from the legislature or the Public Utilities Commission or the governor's office or a ratepayer advocates. Everyone is represented here. But I'm going to focus first on two physical risk mitigation milestones.

So last September, we had the passage of undergrounding legislation. This legislation enables us to file a 10-year plan for undergrounding that will provide more regulatory and cost recovery support.

I do think when this legislation was passed, it was a turning point in California with our stakeholders in terms of their support for undergrounding. You may remember that at last Investor Day. There was legislation on undergrounding being proposed. And the leading piece of legislation had some, I would say, concerning financial disallowances as a means to hold us accountable to plan. We do not believe that, that was the right approach, that there's another construct under which we could be accountable. So what we did was we educated and engaged with policymakers. And ultimately, you saw that concerning language removed, and that same bill evolved into the constructive legislation that we have today. That is what it takes building that trust and partnership every day.

The second physical risk mitigation I want to point to is the last one here. And that is just earlier this month, the CPUC voted to close a 2015 safety OII that was associated with PG&E. And we know that safety is a journey, and we have to prove ourselves to regulators. So the fact that this OII was closed is a big deal for us, and it means that we are now integrated into the more mainstream framework for safety culture assessment.

And what really made us proud was that the Office of Energy Safety and their assessment when they recommended the closure, I said several things. One of the things they said and they noted is that PG&E continues to evolve in our maturity on safety, that our safety culture is evolving.

One of the other things that they noted was that in focus groups with frontline workers and supervisors, our frontline workers and supervisors expressed positivity and optimism about our safety culture. That's really important feedback for us because we are also working to build trust with our coworkers who have been here for so many years as well.

So now let me turn to two examples of financial risk mitigation. First, happy to highlight again the wildfire self-insurance settlement that we reached and the CPUC approval that happened earlier this year. This is a great example of a simple affordable model, and I was just would with how quickly it was accomplished. So this will save our customers several hundred million in wildfire insurance costs this year alone, and up to $1.8 billion during the term of the rate case.

It's also, as I mentioned, got resolved in record speed, 3 months until we had a final decision. And that was the commission understanding that we really want to stay out of the insurance market this year and the value of having a timely decision. I am pleased that just like undergrounding, the self-insurance construct is now being adopted by other California utilities.

Let me turn to my fourth example on financial risk. So just recently, we had a CPUC decision supporting interim rate recovery for one of our wildfire cost recovery proceedings, making sure that we are able to recover the spend related to wildfire is an important focus for us. And I'm proud to say that since our last Investor Day, over -- nearly $2.5 billion in previous wildfire spend has been put now back into rates or a pending inclusion in rates.

Now with this 2022 Whimsy decision, which is scheduled for a vote in June, this will save our customers $30 million in financing costs which is a great outcome for our customers. And it also provides us with cash now to do work sooner. We are so appreciative when the commission takes decisions like this, and it still allows them to do a full reasonable review while allowing us to move forward and do productive work.

Now in terms of physical and financial risk mitigation, we are very excited about the opportunity that our 2023 general rate case will deliver. 86% of the incremental ask in our rate case is focused on safety and reliability. There is a lot that's great for customers and investors in this rate case. It's a 4-year rate case, so it provides certainty around our funding for the next 4 years for our core safety and reliability work.

It also -- even though the decision is anticipated this summer, the rates go back retroactively to January. So that's an important part of the construct. It also continues to include important rate-making mechanisms. For example, the CMA account and AMEA account, which allow us to track costs related to storms. You heard earlier about how important that construct is when we have such a historic year as this one.

In terms of state support and policymaker support, we appreciate the commission's continued commitment to a timely GRC decision. I'll just mention, just earlier today, there was a legislative hearing on grid infrastructure, where senior executive from the PUC reaffirmed their intention to resolve our rate case this summer. They need the understanding that we need this to continue to provide safety for our customers is quite important and something we continue to message with policymakers every day.

Our rate case is complex. And therefore, I appreciate that we have good commissioners who are considering this GRC. The assigned commissioner to our rate case Commissioner John Reynolds, has held several roles at the Public Utilities Commission and was most recently in private sector before returning to the commission.

The CPUC President, Atlas Reynolds, no relation, she has had also an extensive career utility regulation, serving as a senior adviser in the governor's office working directly on the issues before them today.

The rest of the commission is also strong with many decades of utility regulation experience. As Patti said, performance is power. And so we are looking forward to showing the commission what we will be able to do with this rate case funding to improve safety and long-term affordability for our customers.

Now, we know we have to look forward. And so important for us is making sure that we are focusing on the issues that are most important to our customers and policymakers and that there is alignment. And so some of the areas, in particular, where we know on alignment is important, include working on clean energy, electrification, reliability and affordability. So let me just share a little bit about each of these and some of the work underway.

So first of all, last year, last summer, Governor Newsom, under his leadership, made sure that the lights stay on in California with a clear focus on reliability. Reliability as we make this clean energy transition, it is an and, not an or.

One of the cornerstones of that effort was legislation that allows us to extend seat relicensing for the Diablo Canyon power plant. And that is an opportunity that we do not take lightly.

Diablo Canyon provides 19.4% of California's clean energy. And we are making progress in that relicensing. I'm pleased that the NRC has granted us the opportunity to continue operating as we seek relicensing, and we're making progress every day on the local and state actions that we need as well.

Took my thunder away, but that's all right. So let me be a little easier. So let me talk about electrification and powering the clean energy economy.

This is very much an important focus for us. And last year, we also saw constructive legislation in support of decarbonization with a passage of a law codifying the 2045 carbon neutrality goal for the state. As you heard earlier, at ATS around our EV leadership, that leadership is taking shape, and we are very much leaning into the decarbonatiation of society. I'll just highlight 1 statistic about how we've already been powering that transition.

Over the last 2 years, there's been a 41% increase in fast chargers energized in our service area, and we remain steadfast focused on how to meet demand.

Now we have heard the concerns from our customers and our policymakers around the time lines for connecting new customers. And you have heard from Christine the work underway to reduce those time lines. We know we have to get faster to meet the need.

And there is legislative interest in this, as we would expect there to be. And so this session started out with several bills focused on how do we improve customer connections. And again, just like last year, we are focused on education and engagement. And so now there are only 3 bills remaining, and we think all these bills have the opportunity to be constructive. And so again, we're continuing to lean in, continue to talk to policymakers about what is the right funding mechanism? What type of dynamic mechanism do we need in order to meet demand that is rapidly evolving?

And then finally, focusing on helping our customers. We are also focused on helping our customers most in need, especially those have been impacted by COVID, as well as the gas price spikes. And so here are just a few of the things we have done to help these customers.

So over the last year, we were able to join a coalition to have support for legislation and budget allocation to support bill relief for customers most in need. We were able to allocate $545 million over the last 2 years to our customers, 653,000 customers who most needed it.

Earlier this year, when we saw the gas price spikes, we didn't just sit and do nothing. We worked with the Public Utilities Commission to expedite the Climate credit, which allow for a reduction right-of-way in customer bills.

And then finally, we're also looking to the future about what is the right rate design to support electrification. So we are working with stakeholders on identifying a reasonable fixed charge that will send a clearer signal around the need and cost of electrification and, at the same time, lower bills be low and moderate income customers.

So a lot of work underway. What we continue to know though is to make this work happen, the partnerships are key. And so I'm excited to come back next year and tell you about the progress in these areas.

Now continuing the theme of engaging with policymakers and seeking alignment, I am pleased to welcome our special guests. So we are pleased to be joined by Ann Patterson who is Cabinet Secretary to Governor Newsom. And let me say a couple of things about Ann as she comes up.

So An serves -- Ann Patterson serves as Governor Newsom's Cabinet Secretary. She's Chief Adviser on policy and regulatory matters pertaining to regulatory bodies and administration. Yes, she is a big deal. All policy matters pertaining to like everything. That's pretty much the shorthand.

Some of you may know Ann already because she was appointed council to the Governor's Energy Stike team in 2019, and she led and facilitated the AB 1054 fund design and emergence. And she led the state's response to PG&E's bankruptcy. So without further ado, Ann, please welcome. Good to see you.

Ann, first of all, thank you for taking the time to be with us. I know with the budget discussions underway in Sacramento, it is a busy time, and we all appreciate you being here.

Ann Patterson^ Thanks for having me. I'm glad to be here, Carla. And I think I see some faces that are familiar from way back in the 8 weeks of 54 days.

Carla Peterman^ So let's just start at what's the top priorities for Governor Newsom.

Ann Patterson^ How much time do you have?

Peter Kenny^ As much time as you want.

Ann Patterson^ This is a big and complex state. So I think on the precipice of being the fourth largest economy in the world, we are lifting at Germany's heels right now. So I would say, as we think about what drives that kind of economic growth in California, it isn't natural resources entirely like obviously, trees, we have our abundance of those, but it really is our people and the innovative spirit that we have in this state.

And I think the governor is the biggest booster for California the world and really very proud of our innovation economy here. And is really focused on continuing to foster that innovative spirit that drove our economic success in the past and will hopefully continue to drive that economic success in the future as people come here to turn ideas into the businesses that are transforming our world, transforming your right down that I was just at NVIDIA down the street.

A couple of weeks ago, I'm seeing what they're doing, powering AI. I was done to the Assault and Sea watching people develop new technologies to extract lithium from saltwater brine and just watching that and even watching the XPRIZE, like the innovation and the innovative spirit that we bring to problem-solving in California is something that's really special. And part of it is cultural. I think we are a place that embraces our diversity. We don't stigmatize it.

That includes inviting and welcoming Evergas from all over the world to build businesses and build their lives here. It's also about investing, investing in people, investing in our education higher education system and in the infrastructure that we're going to need to power our new economy. And I think that's really the exciting place where we're going to be devoting a lot of the governors are putting a lot of his efforts. We are embarking in California, unlike the largest infrastructure program that this state has seen really since the (inaudible) era.

For those of you who are not California over half a century ago, over the next 10 years, we will be investing around $180 billion in infrastructure in the state. That's federal and state money. Thank you to the federal government for the IAA and IRI programs, but that's going to be roads, bridges, water projects, semiconductor manufacturing, lithium extraction and yes, a ton and ton a ton of clean energy projects. For those of you I'm going to focus more on this because of the audience, you probably know that we have set a very ambitious goal in California of a 100% clean grid by 2045 with an interim target of 90% clean by 2035. That's ambitious. It's right around the corner. We're actually well on our way. I think we were at 59% clean, just in 2021. We hit our goal of 1.5 million electric vehicles on the road 2 years early, just this year.

Carla Peterman^ And when assist of those are in our service.

Ann Patterson^ Yes. And (inaudible) in my garage. So all very exciting. But -- so we're making parts, we have a huge ramp. We have a long ways to go. I think the estimate is that to just meet that 2035 interim target in California is going to take, they'll have to triple our natural or clean resources in California. And we're doing that in partnership with PGE, the IOUs and our other low-serving entities.

So I think lots and lots of exciting building happening in California. And one of the things I think that the governor has recognized is also the priority is one of the biggest operational risks that we Phase 2 getting that work done in California is our complex regulatory environment in California. So last week, I don't know if you all saw that he announced a package of about 12 bills to streamline permitting, expedite environmental review and speed project delivery across infrastructure projects.

These are tools we've used in the past. We use them to build stadiums. Now we're going to use them to build clean energy projects, and we're going to use them to build other infrastructure projects for California. So I guess I'd start -- I'd end by just saying we have a lot of great work to do, a lot of investments that we're making. And the administration is just focused on rolling up its sleeves and getting the work done.

Carla Peterman^ Well, thank you. That was a very exciting announcement last week as well, and so we're excited about that. And we're also, as you know, pursuing some of the federal funds for some of our projects, and so appreciate the state support with that.

So as I mentioned in your intro, you have seen PG&E through some of our best days and some of our not so best things. So what are your observations of PG&E post bankruptcy? And how do you think the company is doing?

Ann Patterson^ I actually started my career in the administration with PG&E, did not expect that to be the case. I think it was like week I was over there in the legal unit, and somebody said, hey, how much do you know about bankruptcy. I was not a big dealer, but I did some insurance insolvency. So I was like the most prepared person on the team.

Fortunately, we brought in some really good experts. So I was not rolling by myself on that.

But I would say, I'm probably going to I would say that overall, my sense is that PG&E has become an incredibly important partner for us on a whole variety of problems that we're trying to solve. And I'll focus on 2, and I'm not going to start with wildfire. I'm going to start someplace else.

Diablo Canyon. So reliability is important. Meeting these clean energy goals and transitioning our grid is not going to be easy. And not everybody is rooting for us to succeed. We know we're doing something new and that the world is watching. So doing it well, doing it reliably, keeping the power on is incredibly important so that we can show the world that this can be done. And so when we saw -- we came last year to PGD and said, what do you think about potentially keeping Diablo Canyon online a little bit longer.

Carla Peterman^ All had to go up when you said to.

Ann Patterson^ Company was honest that this was not part of its strategic plan at the time, very, but Patti was very clear right off the gate. This is something that's important to California. We will dig in and we will figure out how we can do it and if it can get done, and we have partnered incredibly successfully over the last year to create a pathway for that to happen. And right now, as you said, it's nearly 20% of our clean energy resource. And I think extending it really reflects a pragmatic recognition that you can't take resources like that off-line until you know you've got the resource behind them to back it up. So we really appreciate the partnership on that one.

I'll also say reliability and summer reliability. Last year going into the summer, we recognized that we were not in the position we needed to be in terms of having the resources procured to get through some of the expected demand. So we came to PG&E and the other is like in March, it was late. I mean it was like and said, and you go out and procure some of the resources for us, please. And PG&E led the way, you got us, I think, nearly 1,000 megawatts of power that we really needed to get through the summer, particularly that extreme event in September.

So I think the partnership when we call you answer the call. I will kind of on the wildfire mitigation also seeing a great partnership and a lot of progress.

I'll mention a few things. This is always an important balance between safety and liability and customers, right? And the work that you guys have done over the last 2 years to refine the PSPS process has just been incredible. I think OES holds you all up as really as an example of how well that's working refining the model to be more accurate, but also maintain the risk mitigation but also help make sure customers are only out when they need to be out and using technology to try to get them back online faster. That has been a real success.

The EPS, I think you guys know what that is, but is also really, I mean, we're seeing it work from an initial reduction, process that one also, I think we're working creatively to try to figure out how we deal with those like customers who keep getting hit over and over with that because it tends to be the same neighborhoods, right, and lots of collaboration to try to make sure we get the benefits of that risk mitigation also help customers.

So I think across the board, obviously, the undergrounding work long term and incredibly important investment and one that we're watching you work to push for new technologies, new ways to do that so that we can reduce that cost and price point over time, which is really important to both get the safety benefits and also try to maintain affordability. So lots of great opportunities. Just overall, just a good partner.

Carla Peterman^ Thank you, Ann. Well, I'll say I appreciate you for noticing the progress. And we always talk about, we appreciate our progress, but we're never satisfied. And I think about just with the Alcan power plant. That plant took a stand to operate at its highest quality until the very last day. So when we got the call, there was never a question, could this plan operate, it was a matter of just let's get the relicensing in place. And so it's for moments like that, that you have to be ready.

So I think a few folks in here might be interested in AB 1054. So let me ask you a question about that. So a key topic of continued interest is the AB 1054 fund. What are your thoughts on AB 1054 now 3 years after its adoption?

Ann Patterson^ It's working. Yay. No, it's really, it's actually kind of cool. It's up. It's running. It's, I think it has $10.3 billion of cash on hand at this point, $21 billion in claims paying capacity, we were really lucky in having the earthquake authority as a kind of state affiliated entity that knew a lot about reinsurance, knew a lot about investing money and kind of being an insurance company. So we were able to tap them and they just like set that thing up. They knew what they were doing. They understand the market, particularly the reinsurance markets. But really, we're able to do an amazing job getting that money out and invested conservatively.

They've been mitigating for interest rate risk, unlike some people. So, the -- I also oversee the baked. It's been a busy couple of months. But -- so I would say they've also got the claims administration process all set up.

Yes. So, which is really designed, I mean the way 1054 works is that claims are still settled by the utilities, and then they're submitted to the wildfire fund who will evaluate them for a reasonable business judgment and then pay those claims. So they've set up that entire process, designed around both making sure that the claims are settled prudently, but also really to try to efficiently expeditiously get the claims processed and the money distributed back because we recognize liquidity is an important function that, that can play.

They have not had their first claim yet. I think they might next year. But I think we'll all watch and see, and I think I'm really optimistic that, that process is going to be really efficient and well administered over there. It is, I think I'm just going to say out loud, there have been a couple of people out there saying, "Oh, why don't we use the fund for this? Why don't we use the fund for that. It's not the same budget year we have before." There's no situation at all in which we would ever touch that fund. And first of all, it's not our money. It is rate payer money and it's the IOUs money, and so it will sit there to be used for this purpose and only this purpose. So I just want to dispel any rumor or concern that people might have that it won't be there, we designed that fund to last at least 10 to 15 years. We're 3 years in without having a claim submitted.

The purpose for those people who weren't there of the 10- to 15-year modeling and Horizon was that was going to give the utilities, the runway to make the investments that they needed in wildfire mitigation so that we really would like run out the need to have that fund there.

So far, we're watching that really work. The theory of the case is working. We're making the wildfire investments, not just the utilities. But I think as Brian talked about, the amazing $2.7 billion that the state has put in helicopters that can fly at night, technology and modeling to help make sure that we are able to put out fires when they do happen quickly. I was just taking a little vacation were at Joseph helps in the Napa Valley. And I looked out and there's this hillside that's burned.

And I asked the folks what had happened because, obviously, there was a pretty big fire up there a couple of years ago, and they said, well, the stake of CAL FIRE, the State of California CAL FIRE came in and saw where the wind was going, waited to refer below this way, burn that fire break and saved our winery, so thank you to the people at CAL FIRE an amazing work, and it is very well appreciated by the people up there. So just incredible investments that are happening that really are helping us to kind of realize really the theory of that fund from the beginning, which is that we would make the investments and hopefully, over time, need to fund less and less.

Carla Peterman^ Thank you. Well, thank you for your leadership, AB 1054. It is an important financial risk mitigation for us. And as you said, you've seen it from Sumeet's presentation the investments that we're making.

So let me just ask you one final question, if you don't mind. And that's about the summer, what to look forward to. What is your thinking right now about some reliability and roles that the Diablo Canyon power plant will play in that?

Ann Patterson^ So we, by the way, plan now for some reliability all year round.

Carla Peterman^ We're meeting so.

Ann Patterson^ Yes. Weekly meetings would be the CPUC and the Energy Commission and CISO modeling and forecasting for the summer, I think that there was actually a press release, press call today with those agencies and the governor's ops to talk about our kind of most recent forecasting on the summer.

And the good news is we've had a lot of rains. We got a lot more hydro than we did last year, which is good. We also are just in a much better position in terms of procurement for expected demand than we were last year. I think we're a little bit over procured for what we expect demand to be. The challenge, of course, is just those tail events like the extreme weather that we had, that heat wave back in September.

You can't really procure for that. And so we've developed a series of different contingencies to get us through that. I think we've through demand response and backup generators and a bunch of other strategies. We've got about 2,500 megawatts of contingencies that we can deploy to get us through those events. And we may also be trying to procure a little bit more, but I think we're in pretty good shape, overall.

We also, the governor put aside or I think with the legislature, we had about, I can't remember if it was $2.7 billion or $3.7 billion I think it was $3.4 billion for a strategic reliability reserve. And that reserve has helped us to build the 2,500 megawatts for this summer, but we also used it to enter into contracts with the ones through cooling natural gas plants that we have that were going offline at the end of this year. They are now part of the strategic reserve. So next summer, they will be available. And we can turn those on just as a contingency resource if we need them to get through kind of those really extreme events that we can't completely plan in for Q4.

So overall, really feeling like knock on something, we're in pretty okay shape, but we'll have to see what Mother Nature throws at us.

Julien Dumoulin-Smith^ Well, thank you. We are here ready to support, as you know.

Ann Patterson^ Oh, you asked me about the Diablo too. So I kind of think of Diablo but certainly, it's a lot of power. It's 4,400 megawatts. Is that right? So it's important for the summer. We need those 4,400 megawatts probably every day.

Carla Peterman^ About 2,200.

Ann Patterson^ 2,200, sorry. You need those megawatts all the time. But I really see the value and the importance of it, not just for summer, but year round as part of this longer-term mid-term transition to the clean grid. So both some are reliability, but just broadly getting us through the next 10 to 15 years as we're bringing out the resources online, so.

Carla Peterman^ Well, thank you. Please express our thanks to Governor Newsom for his leadership and maybe you get one more day of vacation. I don't know.

Ann Patterson^ We're headed back up to Napa after this, so.

Carla Peterman^ Thank you. Everyone join me in thanking, Ann Patterson.

Ann Patterson^ Thanks so much. Good to see you.

Carla Peterman^ Good to see you too.

QUESTIONS & ANSWERS:

Jonathan Arnold^ So as we go to our Q&A for our virtual audience, you have a Q&A box at the bottom right of your screen where you can enter questions and we will get to them as we go, but we're going to start I think in the room here, just to assemble the team on the stage.

Patricia Poppe^ Okay. I'm joined on stage by the team. And we would love to take your questions. Jonathan, we have mics in the room, and so we want to make sure that when you ask a question, we have a mic available. I see Julien up here in front.

Julien Dumoulin-Smith^ All right. We'll kick this off. Thank you all again. Appreciate the time. Julien Dumoulin-Smith Bank of America. So let me just start off with another elephant in the room, if you will, dividend. And let's talk about how you think about that over time. So Carolyn, I'll probably throw this in your direction here. How are you thinking about -- you threw us the financing plan. You kind of laid it out, but there was one little piece missing there. Can you talk about the time line here? Obviously, there's certain considerations thresholds, but also critically, how you think about ramping that, right? I mean the CapEx numbers you throw in the back half of that decade are really quite meaningful, big ramp? Would imply that perhaps you want to retain some more cash. So just latest thinking here as best you see it?

Carolyn Burke^ Yes. So we know a dividend is important to our investors. And so as we mentioned at the earnings call, we will hit our eligibility threshold in the third quarter. We'd like to have audited financial statements. And so we expect to be able to announce at the third quarter that we will be reestablishing a dividend.

Now it will be, as we've said before, low and slow. And the way we think about that is because of our capital program and the needs that, that it requires to meet all the demand, that's our priority. And so it will be low. And I don't necessarily have a time frame for you, but we are not targeting a dividend yield necessarily. We are looking to grow our dividend with our earnings.

Julien Dumoulin-Smith^ Got it. And in just think you'd offer even yet touristic, right, on payout ratio or what have you, not is.

Carolyn Burke^ Not yet. We're not ready for that yet.

Patricia Poppe^ And also, the timing is obviously dependent on our general rate case. That's a huge forward look. And so that's -- the timing of the general rate case will drive and could very much contribute to the dividend time line.

Julien Dumoulin-Smith^ Quick follow-up here. So you guys have a lot going on already in terms of CapEx. However, there's an upside case. There's an opportunities bucket that you described. There's a few bullet points described there as well. How do you think about that materializing? Obviously, lots of different things moving around in California. Let's address that just super quickly.

Patricia Poppe^ Yes. This is at the heartbeat of our simple and affordable model. And the thing that we is that the appetite for capital on this system is extraordinary. Our customers want and expect a cleaner grid. They want a more reliable grid. They want a safer communities and home towns. And so the investments that we're able to do deliver all of that for customers. We have to do that in a way that's affordable for customers, too. And so all of the cost savings that we generate create the ability to invest faster. And so that's what our goal is to be able to fund that investment by experiencing the load growth as we see forecasted, doing the efficient financing, improving our credit ratings. So then our interest expense goes down and then we can invest more for customers, and there's a benefit both to customers and investors of that simple, affordable model day in and day out. So that's the driver.

Look, there's more work than we can do and then our customers can afford. And so that's our job of all the things that Marlene and the team talked about, this is why our performance playbook is so essential, but team, that's all upside. That's the potential for the company. The simple, affordable model has all the runway in the world here at PG&E. And I hope you're feeling that momentum. And it's not just the leaders you see on the stage right now or even the ones you saw it just a little bit ago. We're infusing our culture with this mindset of continuous improvement and delivering performance, and we're excited about that. That bodes well for customers and investors

Agnieszka Storozynski^ Angie Storozynski with Seaport. So I'm just wondering, you've done so much work. You keep investing in your systems. There's lots of dialogue with customers. And there is obviously a lag effect, but how does that translate into customer satisfaction scores. I mean we see some especially the J.D. Power. It seems like those scores are still so low.

Patricia Poppe^ Yes. Marlene, you can you talk about that?

Marlene Santos^ So you saw the picture of my customer operations center, so customer satisfaction is something that we are looking at every single day. So we have metrics. We've now come up with 18 different drivers. We have now customer transactional scores on each of our key transactions. So we are working it. We're using our Lean operating system every single day to make improvements to our customer experience. We're really excited about what we're seeing there.

We're doing a project on outage, so where we're reimagining our whole outage communications to our customers because we know how important the outage in that moment, right, is so important to our customers, lots and lots of work around our customer experience. Really excited.

Patricia Poppe^ Yes. And I think just to put a finer point on that, during this historic weather events, I think we look across the nation and there's a lot of utilities under a lot of pressure based on all of the weather and the experience, nobody experienced worse weather than our customers. There is no doubt about that. And yet, the satisfaction during an outage went up during that time because of the way that we handle the outages, the speed of restoration that our team. And as I like to say, safety is always first and then restoration and communication in equal measure and our communications team, Marlene's entire team and all of us really were put into action to communicate with our customers. And that helps because so often you just want to know what's the plan? What do I need to do? What can I expect? And we delivered on those expectations and we saw the satisfaction scores. Be much more improved than in previous outages. We're really making a big difference. The work that Marlene just talked about is yielding real results. All that to say, Angie, if I could just add.

Look, our customers have a long way to go to fully trust us again. And the culture that we're working on here in the company is fundamental to changing the minds of our friends, our families and our neighbors who are our customers. And the thing that gives me the most optimism, and I know there will continue to be a lag because we have to earn the right for customers to be satisfied with us. Our coworkers have to believe first that something has changed here. And when they believe that, that will parlay and translate to their neighbors and their families and the communities will start to experience a different PG&E. And we look very much forward to gaining the trust from our customers again.

Agnieszka Storozynski^ Just on an unrelated note, on the financing plan for that CapEx. So two things. One, what is the big -- what was the big reason for the step-up in the cash flow from operations within the next 4 years with more than 2.5x increase versus '23? So that's one.

And two is, so you're not a cash taxpayer. It doesn't seem like going to be anytime soon. But I mean, is there a rule of thumb that how you're going to finance your CapEx? Should we assume that, say, 30% of all CapEx comes with -- from equity or is financed with equity?

Carolyn Burke^ Two things. First, on why our operating cash flow is growing. So first, we have the GRC and that's a big event for us. And we expect that -- again, we expect that decision in the third quarter. Two, there is the recovery of the whimsies and other balancing accounts that we have, and we expect to see that over the course of the coming years as well.

And then two, as I've said, as we invest in capital, we will see our cash flow increase. So that's what you're -- that's what's driving the operating cash flow.

And I'm sorry, your second part of your question was how are we going to finance? I mean we have, we are targeting at 52:48 ratio. So we're going to continue to finance according to that targeted debt leverage ratio. And so I think that's the key.

We are committed to decreasing our holdco debt by $2 billion by 2026. So that isn't our plan as well. I don't know.

Patricia Poppe^ And as we've continued to say, we have no plans to issue equity this year or next, and we plan to stick to that plan. Other questions? Is anyone online, Jonathan?

Jonathan Arnold^ Yes, but --

Patricia Poppe^ Okay. We'll take one in the room here, then we'll take one online.

Ryan Levine^ Ryan Levine with Citi. In terms of the undergrounding CapEx per mile, what's the current thought in terms of where that could go in light of some of the technology that was highlighted earlier today?

Patricia Poppe^ Yes, Sumeet, why don't you take this one?

Sumeet Singh^ Yes. Thank you for that question. So just historically, when you look at our unit cost for undergrounding work, it's been well over $4 million a mile. And some of the things that Peter and the team are materializing. And what you're seeing in terms of a $70 million reduction over the 350 miles this year, it starts to get us to a trajectory of about $3.3 million a mile this year. And then as we continue to look forward year-over-year. And if you're joining us tomorrow, you'll see some additional innovative construction technologies and methodologies that we're going to be implementing that continues to reduce our cost structure.

And one thing that Peter highlighted was ensuring that we're using the right methods and approaching the work and innovation in the right way for every mile because every mile is a little bit different, right? Because of the different geographic terrain that we have, the different soil conditions that we actually have to navigate. That's what the team has actually developed is set of toolkits that we can actually apply from a construction methods perspective, depth of cover, reducing the width of the tranche itself.

And there's a lot more innovation and there was a table out here as well, again, at lunchtime, where our teams are looking at. And this has never been done in the utility before by a pilot on an ad-grade type of a construction method. So there's a significant amount of additional ideas that the team is actually driving to, and we have the confidence to be able to meet the trajectories that we've actually outlined here and stated previously.

Ryan Levine^ And then one on the financing plan. What's the current thought around holdco debt and longer-term ways to address.

Carolyn Burke^ I said, we remain committed to decreasing holdco by about $2 billion, $2 billion to our target by 2026.

Patricia Poppe^ Okay. One online. Let's take 1 online and then we'll come back here to the room.

Jonathan Arnold^ Yes. We can take one online. This one is from Paul Pason. He has given California's move to electrification, do you see any risk to stranded gas assets or the need to change gas infrastructure depreciation rates?

Patricia Poppe^ That's a great question. We are working hard to make -- well, first and foremost, we will always invest to make sure our gas system is safe and reliable. And as we see, there are opportunities for targeted electrification, and we're supporting that zonal electrification here in California where it makes great sense.

In fact, one example, we had a mobile home park that we were about to replace the mains and services as part of our upgrade program for gas, and we realized that we could actually electrify that entire mobile home for less, and we could then transition there.

And so I would say that really -- our priority is to -- as our customers go, we'll serve them, but I think it will be a very long time that we will have major gas infrastructure that will be serving the state of California. We'll be increasing our RNG. Every time we replace a pipe, we reduce our methane emissions. So we'll continue to reduce the emissions from our gas system in line with our targets for the state, but there are many applications that yet don't have a substitute fuel source.

Carla Peterman^ Patti, if I can add as well. the PUC does have a proceeding. We're participating in on the gas transition whenever that will happen to address some of the questions that you're talking about, about making sure there's appropriate depreciation rates for our assets and that, that transition is affordable for our customers as well.

And we do have a component of our rate case as proposing looking at a seller depreciation of some of the gas assets, just to start that conversation. As Patti said, we forecast our gas system providing service to Californians for many years to come, but we do want to be ready if that transition happens.

Steve Fleishman^ Steve Fleishman of Wolfe. I guess two things. First on the simple, affordable model, one of the components is the sales growth the 1% to 3%. So could you talk about kind of latest thoughts on how that's progressing? And are you starting to see any kind of upward move in sales growth.

Patricia Poppe^ Yes, you bet. The bulk of the 1% to 3% sales growth is toward the latter end. There does increase as we achieve more electric vehicles and more building electrification. But you heard Ann Patterson say that our pace of electric vehicle transition is happening even faster than planned. In fact, in our service area last year, 23% of new vehicles sold were electric. And so that is real load. Every 2 vehicles is a new household of electric load. What's really exciting to us is making sure we drive that load growth at the right time of day. And so I hope you enjoyed seeing the demonstration and really see the power of bidirectional charging and how that's a real potential enabler for additional load and a much lower societal cost, and that really will help then our unit cost drivers over time.

And in a household, when you switch from gasoline in your vehicle to electricity in your vehicle, your actual household envelope, the portion of your household wallet that you spend on energy goes down. So as we decarbonize the economy, customers are actually better off on total dollars spent. In fact, the equivalent for us is about $2.5, $2.20 to $2.50 equivalent of gas at I don't know what it costs where you live, but where we live, it costs about $5 a gallon. So it's less to switch to electricity. And so that's a really powerful part of the formula too. I hope that answers your question, Steve.

Steve Fleishman^ Yes. No, that's great. And I guess I have one other question. We're going to get the GRC, I guess, proposed decision, hopefully soon and the like. So maybe either for Carla or Patti, just, you mentioned, I think, 86% for safety and reliability. Hopefully, that's things that wouldn't get disallowed or projected. But just in terms of just the pieces, how do you think about how much debate as they've been over the rate base or capital part of the case relative to kind of operating costs and other stuff? And is there any kind of big rate base or spending programs that are most on the capital side that are most debated to watch out for?

Carla Peterman^ I can start with that question. Well, as Caroline pointed out, we're not making big bets, we're investing in diversity of infrastructure and capital and our rate case reflects that. It is a big case. And so as you know, rate cases are the most litigated thing at the PUC. And so there's focus on all the components, all the usual ones that you would expect.

Underground is a new program. So there's questions about undergrounding, but again, I think it's about 18%, 20% of our capital plan. And I think we've done well, presenting a really solid, strong case.

And so as rate cases go, when we get the proposed decision, we'll have an opportunity to review it. There's coming opportunity to engage with the commission to respond to intervenor comments. So we'll just be -- we'll just start of a conversation when we get that case, so we're excited for no surprises at this point

Anthony Crowdell^ Anthony Crowdell Mizuho. Carolyn, I just wanted to reconcile, I guess, the comment to Julien's question on dividend. I think you said low and slow was your guidance, but then you also said in line with earnings growth, which 9% to 10%. They don't reconcile. What should we be thinking of a dividend growth, slow? Or do you believe slow is 9% to 10%, I guess, maybe is a better question.

Carolyn Burke^ Well, I think the --

Patricia Poppe^ It depends on your starting point, right, as you're starting to point.

Carolyn Burke^ Yes. No, the key is that we are not targeting a dividend payout, it will not be close to what you would, in comparison to our peers. And so that's what we're really trying to play one of the key messages here is that it will grow, but it will be slow, and it will not be -- we're not trying to chase --

Patricia Poppe^ Peers.

Carolyn Burke^ Chase our peers. That's the key message that we're trying to send there.

Patricia Poppe^ Yes. And your point is right, though 9% to 10% growth is nice. And so we hope people like that we end up there. We'll see where we end up. But that's really the goal.

And again, the balance that we are always making is balancing the needs of our customers and the system. And that's our first, and that will always be our first and ultimate priority, and that works for investors too, because investing in this infrastructure is obviously how we drive earnings, but it's how we add value. And customers want permanent infrastructure investment solutions. And so where we're debating dollars to go to the dividend. We're going to prioritize dollars invested in infrastructure in our system, and then balance the needs of the dividend appropriately. Thanks, Anthony.

Constantine Lednev^ At team, it's Constantine here Lednev, Guggenheim Partners. I had a question on the energy transition. And you mentioned that some of this takes off in the later years. Do you think that there's any rate design issues that you need to work through to make sure that the adoption is done correctly and smoothly?

Patricia Poppe^ Yes. Well, Carla hit on it a little bit, and I'll turn it back to you, Carl, if you want to add anything. But obviously, we do think a fixed charge is an important part of the transition here. And there's been a lot of, I'd say, noise about an income graduated fixed charge. It was directed by the legislature. We participated, and we're required to file a proposal with the guidance of the legislature to have the income graduated, but the thing to remember is our current rates also have income qualifications. Our most vulnerable customers qualify for a special rate.

And we think that's an important part of making sure that no one is left behind in this clean energy transition that customers have access to energy that they can afford. And so we see real benefits in having a well-designed fixed charge. There's going to be a lot of discussions about that. But I think that's an important part to both equitably allocate costs and in a way that reflects that everyone uses the grid. And so we really -- we think that's probably going to be the biggest change in rate design that has come in a very long time. And we look forward to working with the state on that. Carla, maybe you want to add some thoughts on that.

Carla Peterman^ Well, I'll just add, Patti, is totally right. The fixed charge is a big component. And we're also continuing to innovate on the volumetric charge as well. on electric charge. So we have some very innovative rate designs transportation electrification, getting people to charge at the right time of day the state already has TOU pricing. We're looking at what is the appropriate TOU period given the shift in consumption. So it's on the fixed charge and the volumetric rate as well.

Patricia Poppe^ That's a very good point.

Constantine Lednev^ Excellent. And one quick follow-up on cost of capital. I mean a lot of folks on our side are obviously tracking kind of how the capital market conditions are evolving. And with the remeasurement period at the end of the year in the fall, do you see stakeholders paying attention to that and kind of seeing where that is trending because that's obviously trending towards a higher -- to a shift higher?

Patricia Poppe^ So I would offer a couple of things. The fact that our cost of capital and our ROE is outside of rate proceedings is another thing to love about the California regulatory construct. It is more formulaic, and that's a good thing.

We do know that this past year when it was scheduled to trigger to reduce the state work with us because of the extraordinary conditions that were occurring around that. It's possible that there will be discussion about that as this triggers and has the potential to go up, but I think it's really important for all of you to know is we plan very conservatively. We don't plan for the trigger. We don't expect the trigger, though formulaically, it should, in fact, go up. So we'll work through the process. I don't know, Carla, maybe you want to add into it.

Carla Peterman^ I think you hit upon it. Again, the fact that we have this process where we're going to provide our data. We -- just like last year, we had a very data-rich, fact-based proposal, and we saw a good outcome. Again, I think you'll see questions at the PUC on interveners at this triggers, and we'll be prepared to present our case at that time.

Patricia Poppe^ Okay. So are we out of time? Or time for one more. Okay. Sorry. Time for one more question in the back. Yes, thanks.

Unidentified Participant^ This is Sophie from Six Street. First of all, today has been really great and super impressive. So -- and I appreciate you guys taking the time for this Q&A session at the end.

One question I had was, recently, you were in the market in relation to an extent of the $2.7 billion term loan. I was just curious what the status of that is. Following, I think it was shelved yesterday. Should we expect now that, that is just repaid at maturity in circa 2 years' time? Or will you be coming back to market?

Carolyn Burke^ So that loan maturity is not until 2025. We continually look for -- to efficiently finance or refinance, but we're also very disciplined. We'll pick our time where it makes most sense. And that's -- the market this past week was particularly not attractive. It was choppy, particularly with the debt ceiling discussions going on, so --

Patricia Poppe^ We'll be opportunistic. We'll look for the right times in the market. And when it's not right, we're going to make the most conservative choice. thank you. Okay. Team, you can exit, and I'll make my closing remarks. And I think I stand between you and cocktails, so we'll make this quick.

This is the end of the webcast -- no. After my closing remarks, I'm sorry. This is why Jonathan is in charge of logistics. Thank you.

PG&E Corp

Investor Day 2023

Well, first of all, if I could, if you would please join me in thanking the IR team for all their hard work getting you all here. I was going to make a joke about institutional investors voting for the best IR team, but I will, I'll save that for later.

And thank you to our guests. I see Brian is still here. I don't know if Ann is still here, but thank you to our presenters and our guests. I hope that you found their presentations informative and additive. So thank you making a little love for our presenters.

And now I'd like to thank you. I'd like you to thank you for making the trip and for investing in our story. Look, we're up to something really special here. This isn't your normal portfolio company. I think you all know that and I know that. And we appreciate your support because your investment in us is our ability to make the world a safer place, our ability to show the world. I love what Ann Patterson said about showing that the world is watching how we're going to do the clean energy transition here in California, and I hope you were inspired by some of the technologies you saw today because that's the caliber of work that we have going on all over the company. And the clean energy transition is happening here and your investment in us allows us to make that happen faster. And we're so thankful for that.

We are writing the redemption story of PG&E. And you are along for the ride, and we're very grateful. I'm finding a lot of joy personally in this ride, and I hope you are too, and we just want to make sure that no one misses the moment. This is going to be a great story, and you'll be able to say that you are part of it, too.

So thank you so much for joining us today. Thanks for coming to California. We can't wait for those of you who are staying over tomorrow is going to be an equally impressive day. We can't wait to have you for that as well. So thanks so much.

And thank you to everyone who signed on the webcast.

Please be safe out there.