



***PG&E Corporation***<sup>®</sup>

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## **BUSINESS UPDATE**

November 3, 2017

# Forward-Looking Statements



Statements contained in this slide presentation regarding PG&E Corporation's three-year financial outlook, including without limitation 2017-2019 capital expenditures, rate base growth and dividend growth and policy; statements regarding 2017 guidance and related assumptions, 2017 items impacting comparability, 2017 equity issuance, and general earnings sensitivities; statements regarding management's expectations and objectives for future periods, including regarding electric vehicle growth opportunities, and planned infrastructure and grid modernization investments; statements regarding potential tax reform, and other statements and assumptions that are not purely historical, constitute forward-looking statements that reflect management's current expectations and are based on management's judgments, opinions, and assumptions. These statements are necessarily subject to various risks and uncertainties, the realization or resolution of which may be outside management's control. PG&E Corporation and the Utility are not able to predict all the factors that may affect future results. Factors that could cause actual results to differ materially include, but are not limited to:

- the impact of the Northern California wildfires, including the costs of restoration of service to customers and repairs to the Utility's facilities, and whether the Utility is able to recover such costs through CEMA; the timing and outcome of the investigations by Cal Fire and the CPUC, including as to the causes of the wildfires, and whether the Utility may have liability associated with these fires; and, if liable for one or more fires, whether the Utility would be able to recover all or part of such costs through insurance or through regulatory mechanisms, to the extent insurance is not available or exhausted; as well as potential liabilities in connection with fines or penalties that could be imposed on the Utility if the CPUC or any other law enforcement agency brought an enforcement action and determined that the Utility failed to comply with applicable laws and regulations;
- the Utility's ability to effectively manage capital expenditures and its operating and maintenance expenses within the authorized levels of spending and timely recover its costs through rates, and the extent to which the Utility incurs unrecoverable costs that are higher than the forecasts of such costs;
- the timing and outcomes of the two TO rate cases pending before the FERC, and other ratemaking and regulatory proceedings;
- the timing and outcome of the Butte fire litigation; the timing and outcome of any proceeding to recover costs in excess of insurance from customers, if any; the effect, if any, of the SED's \$8.3 million citations issued in connection with the Butte fire may have on the Butte fire litigation; and whether additional investigations and proceedings in connection with the Butte fire will be opened and any additional fines or penalties imposed on the Utility;
- the timing and outcomes of the ex parte OII and the safety culture OII;
- the outcome of the probation and the monitorship, the timing and outcomes of the debarment proceeding, the SED's unresolved enforcement matters relating to the Utility's compliance with natural gas-related laws and regulations, and other investigations that have been or may be commenced, and the ultimate amount of fines, penalties, and remedial and other costs that the Utility may incur as a result;
- the outcomes of current and future self-reports, investigations or other enforcement proceedings that could be commenced or notices of violation that could be issued relating to the Utility's compliance with laws, rules, regulations, or orders applicable to its operations; and the timing and outcome of notices of violations in connection with the Yuba City incident;
- the ability of PG&E Corporation and the Utility to access capital markets and other sources of debt and equity financing in a timely manner on acceptable terms, and the amount and timing of additional common stock and debt issuances by PG&E Corporation;
- the impact that reductions in customer demand for electricity and natural gas have on the Utility's ability to make and recover its investments through rates and earn its authorized return on equity; whether the Utility is successful in addressing the changing industry landscape, including the impact of growing distributed and renewable generation resources, changing customer demand for natural gas and electric services, and an increasing number of customers departing for community choice aggregators;
- the impact of the increased cost of natural gas regulations;
- the timing and outcomes of the "Ghost Ship" and Valero refinery outage lawsuits;
- whether the Utility can continue to obtain insurance and whether insurance coverage is adequate for future losses or claims;
- changes in estimated environmental remediation costs, including costs associated with the Utility's natural gas compressor sites;
- the outcome of federal or state tax audits and the impact of any changes in federal or state tax laws, policies, regulations, or their interpretation, including as a result of the recent changes in the federal government;
- the impact of changes in GAAP, standards, rules, or policies, including those related to regulatory accounting, and the impact of changes in their interpretation or application; and
- the other factors disclosed in PG&E Corporation and the Utility's joint annual report on Form 10-K for the year ended December 31, 2016, their joint quarterly reports on Form 10-Q for the quarters ended March 31, June 30, and September 30, 2017, and other reports filed with the Securities and Exchange Commission (SEC), which are available on PG&E Corporation's website at [www.pgecorp.com](http://www.pgecorp.com) and on the SEC website at [www.sec.gov](http://www.sec.gov).

*Information regarding 2017 guidance and related assumptions was issued as of November 2, 2017. The statements in this presentation are made as of their date and PG&E Corporation undertakes no obligation to update information contained herein. This presentation was attached to PG&E Corporation's Current Report on Form 8-K that was furnished to the SEC on November 3, 2017 and also is available on PG&E Corporation's website at [www.pgecorp.com](http://www.pgecorp.com).*

## A Strengthened Company

- Significant safety, reliability and operational improvements
- Improved customer satisfaction

## Key Advantages

- One of the greenest utilities in the country
- Constructive regulatory and policy environment
- Multiple infrastructure investment drivers

## Robust Growth Profile

- State policies support strong cap ex and ratebase growth
- Resumed dividend growth

## Healthy 3-year growth profile

- ~6.5-7% ratebase growth
- Above average dividend growth

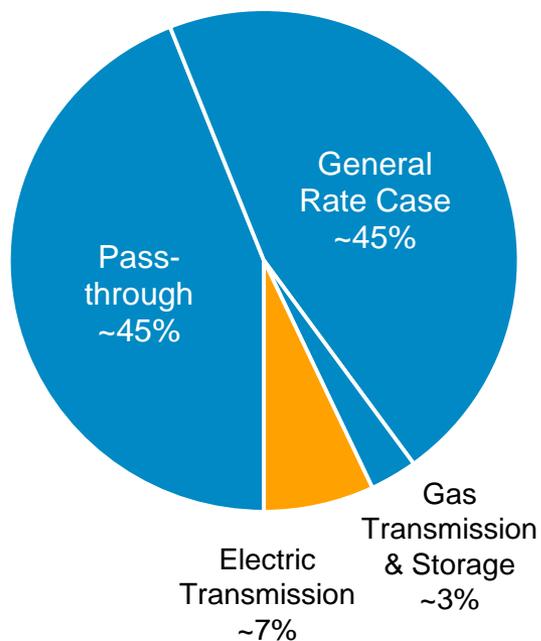
A strengthened company

Key advantages

Robust growth profile



## 2016 Revenue Sources



- California Public Utilities Commission
- Federal Energy Regulatory Commission

## Key Highlights

Employees	~23,000
Californians served	~16M
Net income (2016)	~\$1.4B
Ratebase (2016)	~\$32.4B
Miles of electric lines	~130,000
Miles of natural gas pipelines	~50,000
MW utility-owned generation	~7,700
GWh electricity generated and procured	~68,500
Carbon-free and renewable energy delivered	~70%

# Safety Forms the Foundation of Operational and Financial Success



## Strong Operational and Financial Results

### Leadership

Significant utility leadership experience on the Board and executive team

### Transparency

Developed industry-leading public safety dashboard

### Incentives

50% of short-term variable compensation tied to safety performance

### Culture

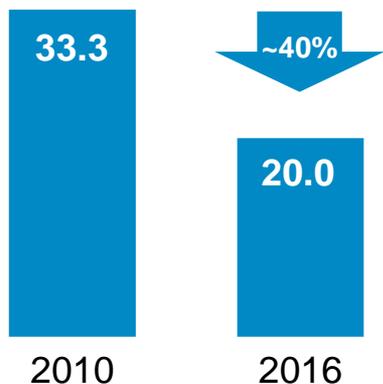
Embraced a continuous improvement mindset and speak-up culture

Demonstrated commitment to safety and compliance at all levels

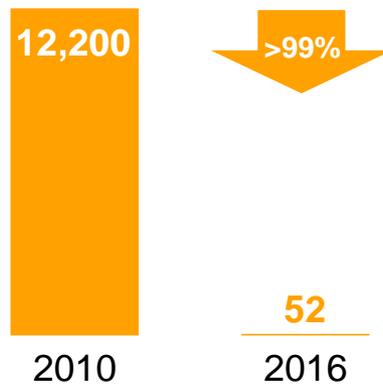
# Improved Safety and Reliability Gas Metrics



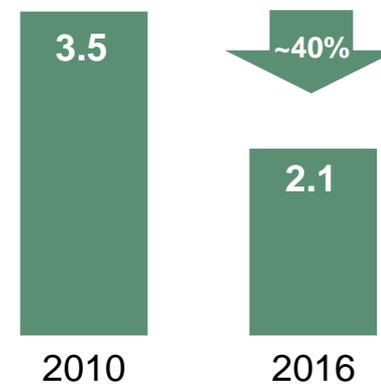
## ~40% Reduction in Emergency Response Time<sup>(1)</sup>



## >99% Reduction in Leak Backlog<sup>(2)</sup>



## 40% Reduction in Dig-ins<sup>(3)</sup>



### Major Progress from 2010-2016:

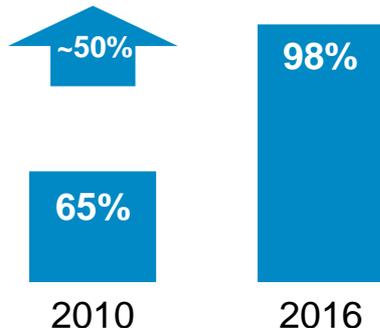
- Achieved **international certifications** in gas safety excellence programs
- Replaced **645+** miles of transmission and distribution pipeline
- Hydrotested **835+** miles of transmission pipeline
- Made **750+** miles transmission pipeline capable of in-line inspection
- Installed **268** automated valves

(1) Emergency response time recorded in minutes; (2) Open Grade 2 and 2+ leaks; (3) Third party damages per 1,000 Underground Service Alert (USA) tickets.

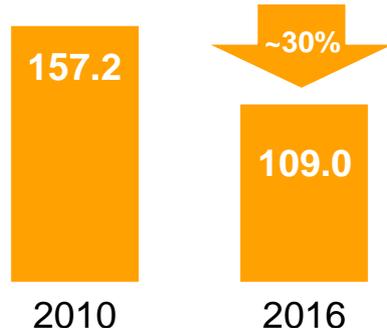
# Improved Safety and Reliability Electric Metrics



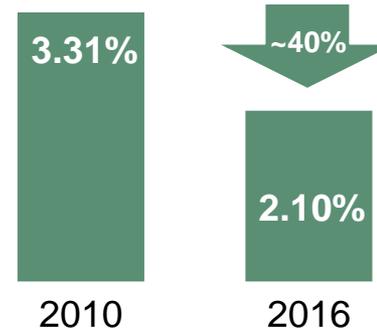
## 911 Emergency Response<sup>(1)</sup>



## System Average Interruption Duration Index<sup>(2)</sup>



## Customer Experiencing Multiple Interruptions<sup>(3)</sup>

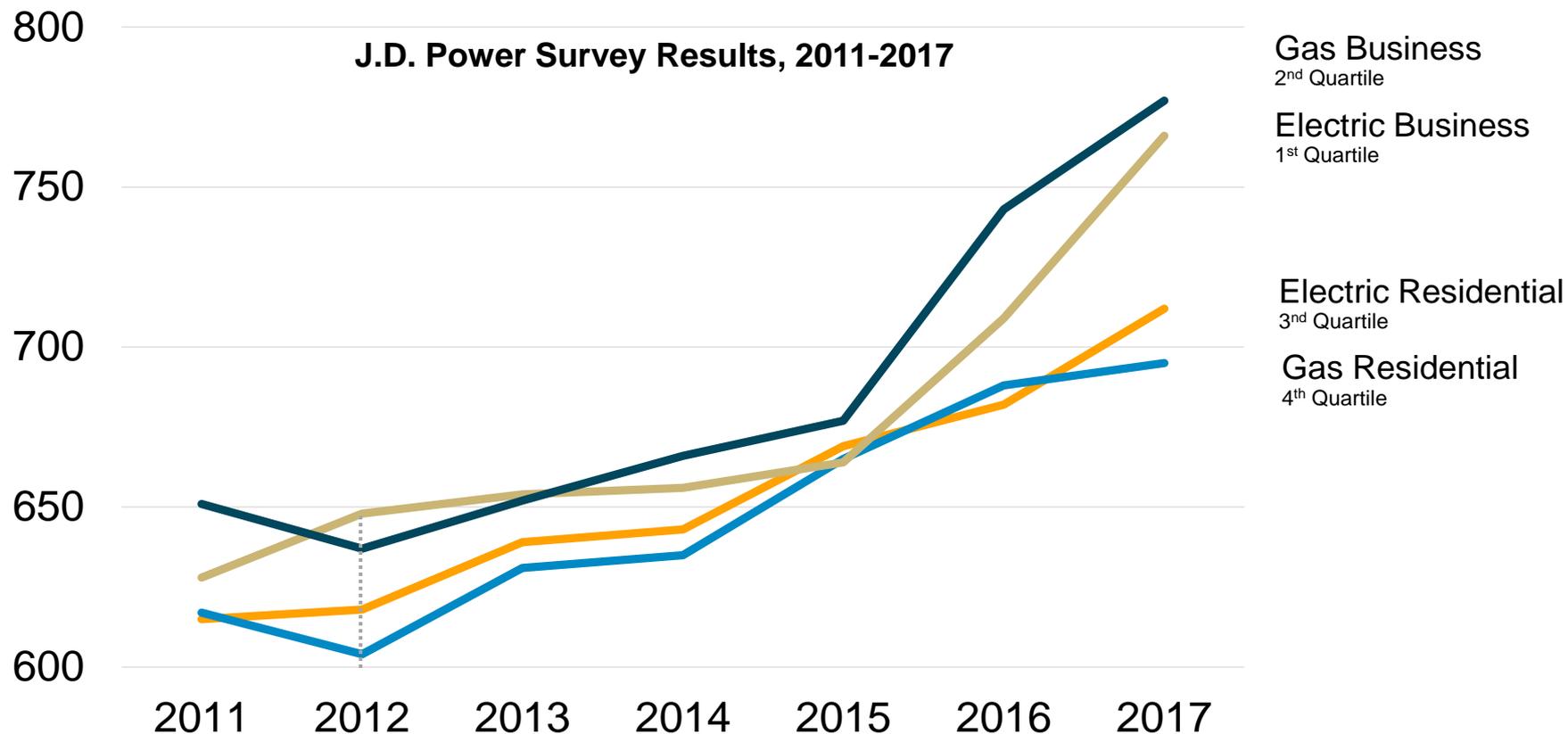


### Major Progress from 2010-2016:

- Delivered **6 Years** of record-setting electric reliability
- **~\$14 billion** investment in transmission and distribution asset enhancements
- Completed deployment of **~10 million** SmartMeters
- Upgraded **~80%** of our targeted circuits

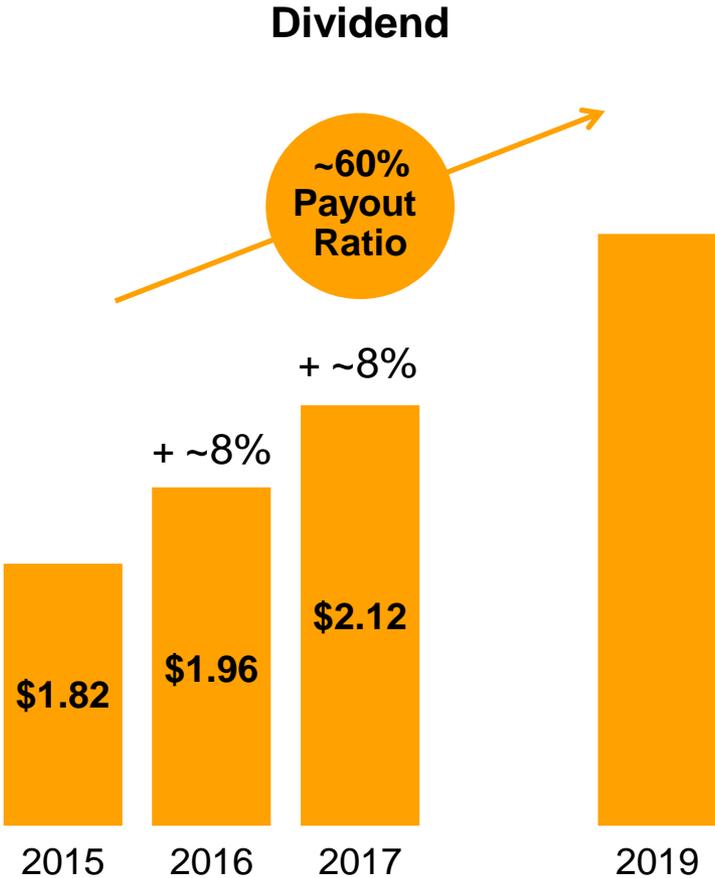
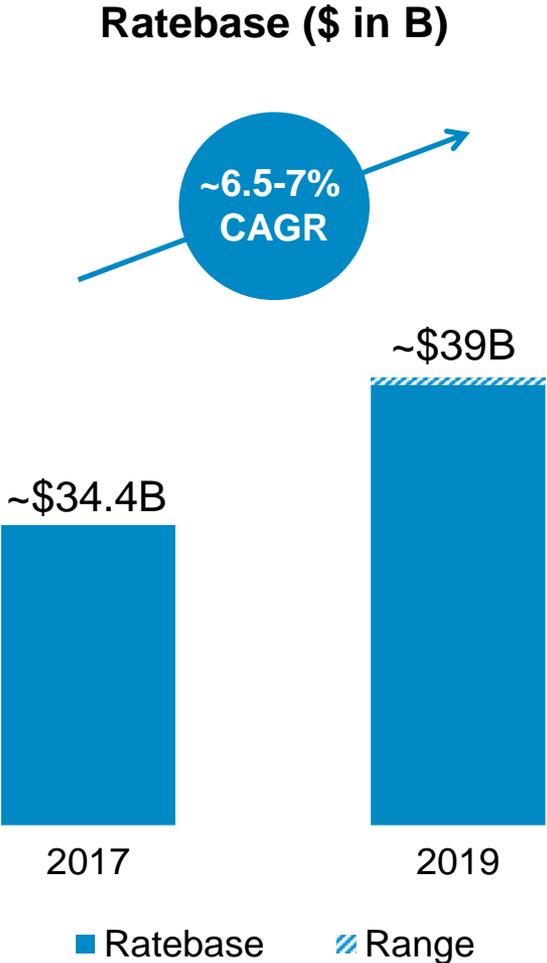
(1) Percentage of time PG&E personnel are on-site within 60 minutes of receiving a 911 electric-related call; (2) Average outage duration experienced by all customers served measured in minutes; (3) Percentage of customers experiencing 5 or more sustained interruptions over the past rolling 12 months (includes both planned & unplanned outages).

# Customer Satisfaction has Improved Each Year Since 2012



Unwavering commitment to customer satisfaction

# Projected Strong Growth



A strengthened company

Key advantages

Robust growth profile



# Key Strengths



1 One of the greenest utilities in the country

2 Constructive regulatory framework

3 California clean energy policies

4 Multiple infrastructure investment drivers

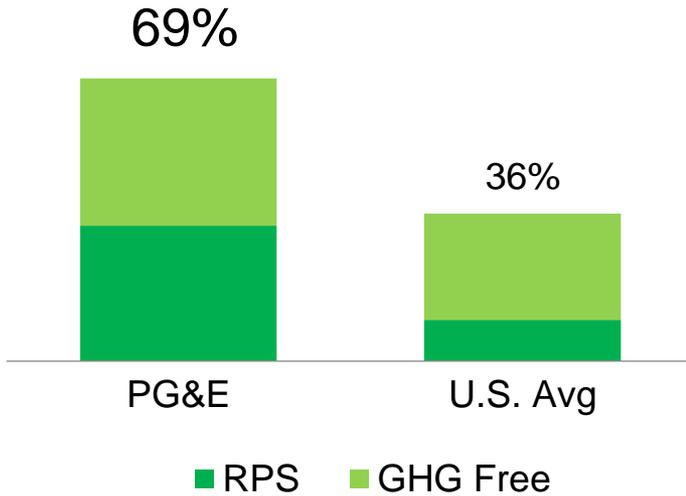




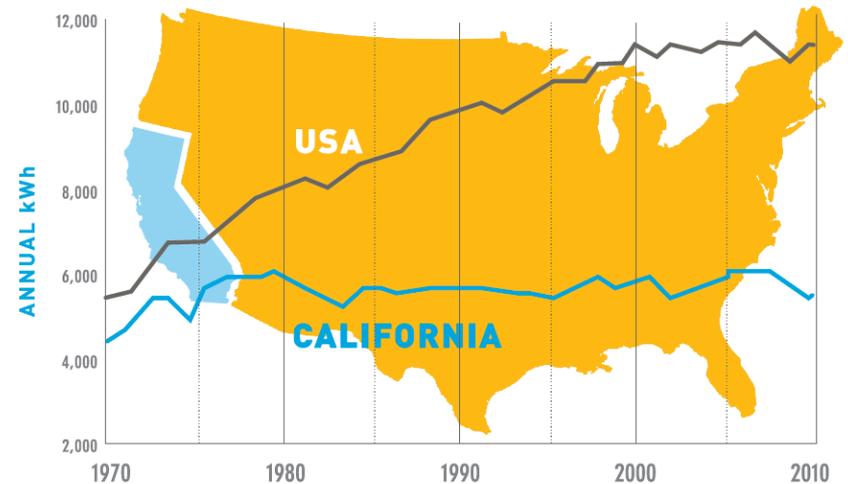
# Focused on Sustainability

Nearly 2x More Carbon Free and Renewable Energy Than The U.S. Average in 2016

Shaping California Model for Energy Efficiency



PER CAPITA ELECTRICITY CONSUMPTION



\*Source: US Energy Information Administration

## PG&E Customers Lead the Nation in Clean Technology Adoption

**>325,000 solar customers**

Ranked #1 with ~20% of all U.S. rooftop solar



**More than 135,000 electric vehicles**

Ranked #1 with ~20% of all U.S. vehicles



**~800 GWh/yr of efficiency savings**

Ranked #2 among U.S. utilities



# California's Regulatory Mechanisms



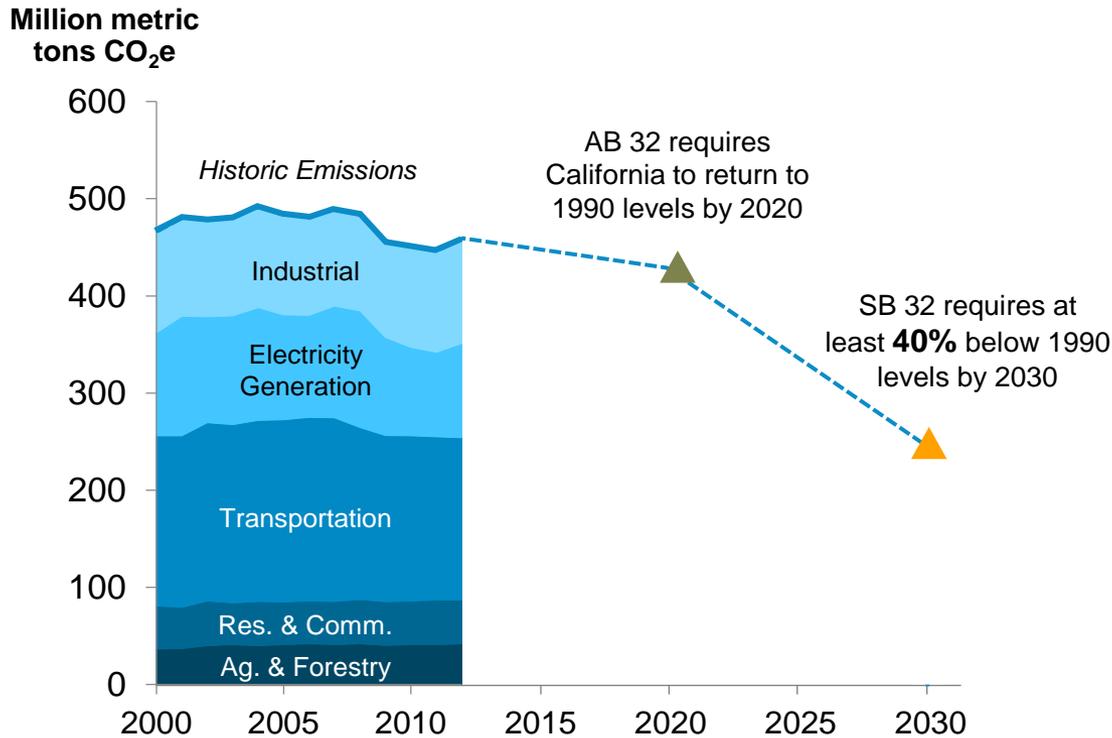
- ✓ Revenues decoupled from sales
- ✓ Balancing accounts reduce cost volatility
- ✓ Forward-looking test year rate cases
- ✓ Risk-informed rate making
- ✓ Separate cost of capital proceeding



PG&E's industry-leading risk management aligns with CPUC safety focus

# California's Climate Goals

## California Greenhouse Gas Reduction Goals and Historic Emissions\*



## California is Targeting:



**50%**  
renewables by 2030



**2X**  
energy efficiency in existing buildings by 2030



**1.5M**  
electric vehicles by 2025

PG&E is a critical partner in achieving California's clean energy goals

\*Source: California Air Resources Board

# Electric Vehicles Present Growth Opportunities



## Projected EV Landscape



**600K**

EVs on PG&E's grid in 2025 if California meets zero-emission vehicles goal



**4:1**

Ideal ratio of EVs to public and workplace chargers to enable access

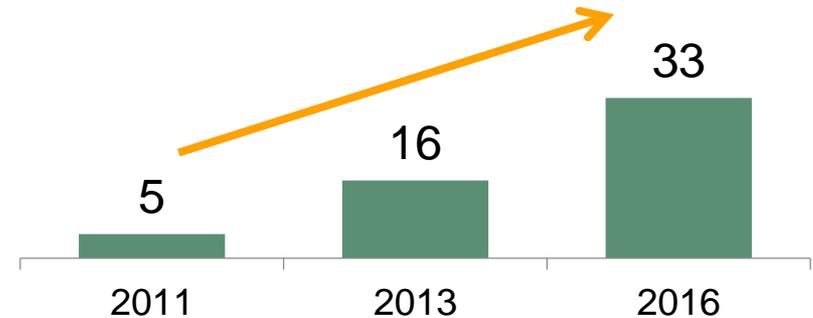


**50%**

The average EV consumes about half the electricity of a typical home each year

## EV Options Continue to Grow

### Number of Electric Vehicle Models



## EV Infrastructure Investments

### \$109M in spend over 3 years

Largest utility deployment in US supporting light-duty vehicles



### Up to \$211M over 5 years

Pending request to support medium and heavy-duty electrification and public charging



Continued EV adoption creates sustainable growth opportunities

# California Policies Drive Infrastructure Investment



## Safety and Reliability



- Gas investments (e.g., pipeline replacement, in-line inspection capability)
- Electric investments (e.g., substation upgrades, cable upgrades)
- Generation asset upgrades

## Enabling California's Clean Energy Economy



- Grid modernization
- Renewable integration projects
- Energy efficiency programs
- Energy storage options
- Electric vehicle infrastructure
- State infrastructure modernization (e.g., rail and water projects)

## Sustained Investments

A strengthened company

Key advantages

Robust growth profile



1

Enhance safety and reliability

2

Enable California's clean energy economy

3

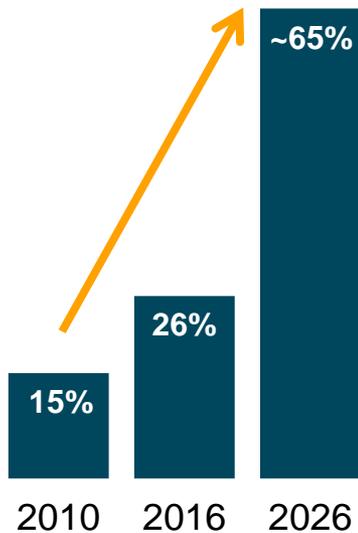
Ensure customer affordability

PG&E's operating plan provides a strong foundation for future success

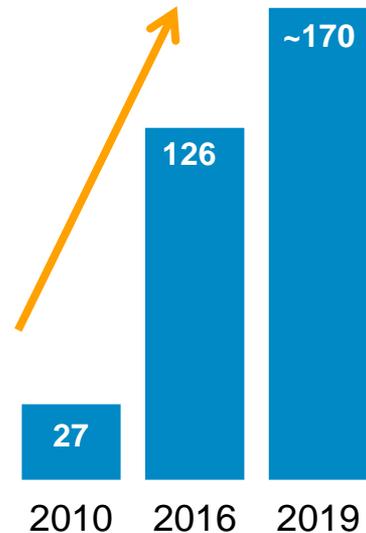


# Continue to Upgrade Our System

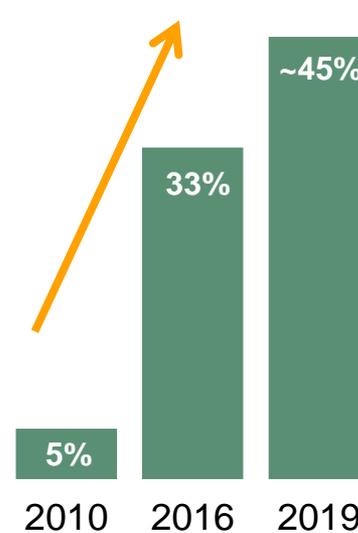
**% of Gas Transmission System Piggable**



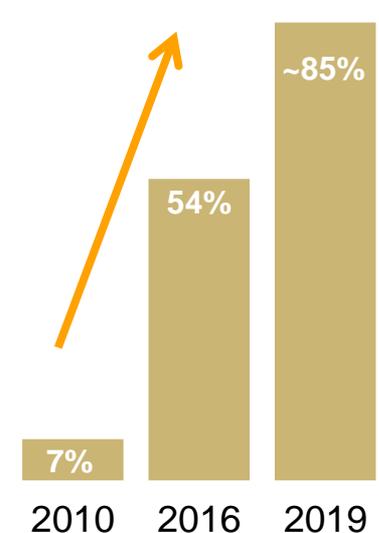
**Annual Projected Miles of Gas Distribution Main Replacement**



**% Penetration of Automated Switches in Urban Areas**



**% of Urban Substations Upgraded**



**Investments to systematically modernize infrastructure**

### Grid Control and Monitoring

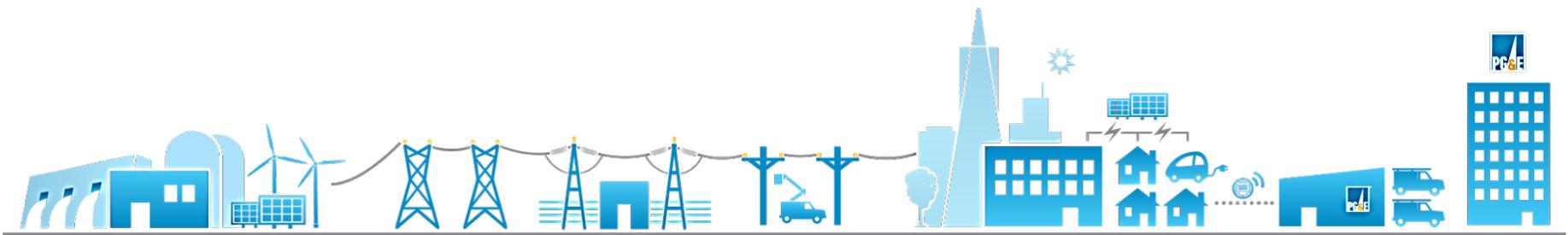
- Increased remote control and sensor technology reduce outages and enable self-healing grid

### Distributed Energy Resources

- Bi-directional energy flows and voltage fluctuations require integration investments

### Grid Data Analytics

- Advanced analytics enhance decision making, improve operations and reduce cost



### Grid Storage

- Enables renewable integration

### Electric Vehicles

- Requires expanded infrastructure for light, medium, and heavy-duty EVs

### Increased Renewables

- Requires transmission integration

### Energy Efficiency and Demand Response

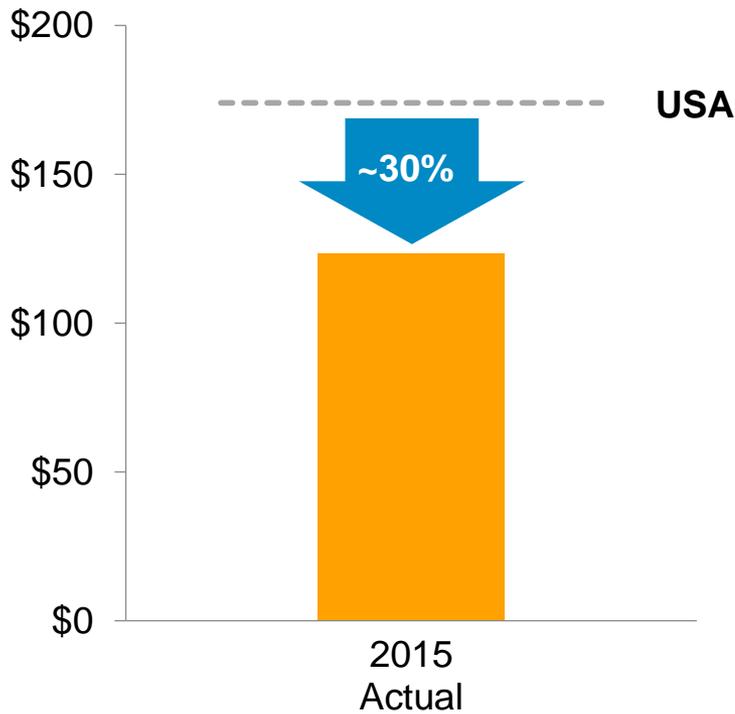
- Help manage customer costs

Over \$1 billion in planned grid modernization investments through 2020

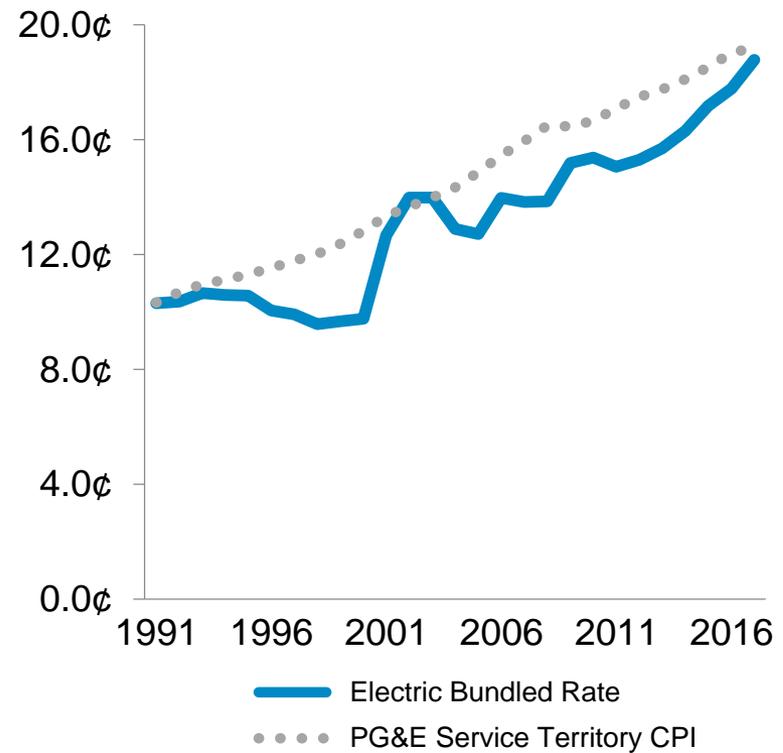


# PG&E Bills Lower Than the National Average

**PG&E Average Residential Bills Are 30% Below National Average**



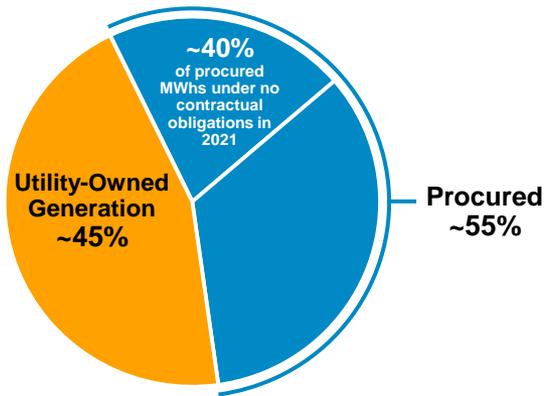
**PG&E's Electric Bundled Rates Have Grown In Line With Inflation**



Continued focus on keeping customer bills affordable

# Strategies to Manage Declining Load

## Flexible Electric Portfolio



## Constructive Regulatory Mechanisms

- Revenues decoupled from sales
- Cost allocation mechanisms for departing customers

## Modernizing Rate Structures

### CPUC Distributed Energy Resources Action Plan

Residential Rate Design

Time of Use Rates

Fixed/  
Demand  
Charges

Net Energy Metering

## Focus on Continuous Improvement

### Process Standardization



## Industry Changes

**Decarbonized  
Economy**



## PG&E Strategies

- Integrate renewables and distributed energy resources
- Enable electric vehicle adoption
- Expand energy storage options
- Enhance energy efficiency programs

**Customer Choice**



- Flexible procurement portfolio
- Constructive regulatory mechanisms
- Modernize rate structures
- Sustainable efficiencies

# Three-year Financial Outlook



**1**

Cap ex growth

**2**

Ratebase growth

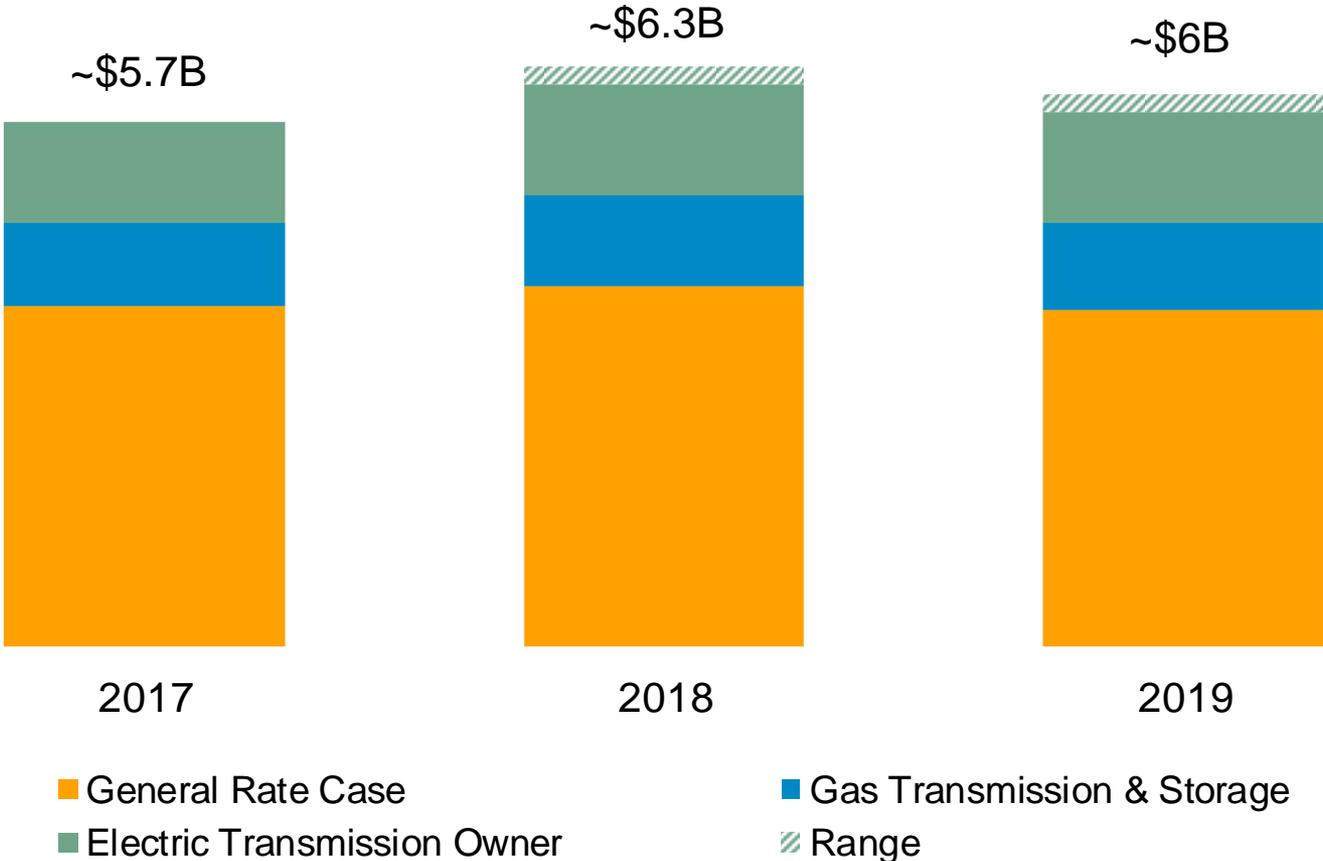
**3**

Dividend growth and policy

# Robust Cap Ex Supports Strong Returns



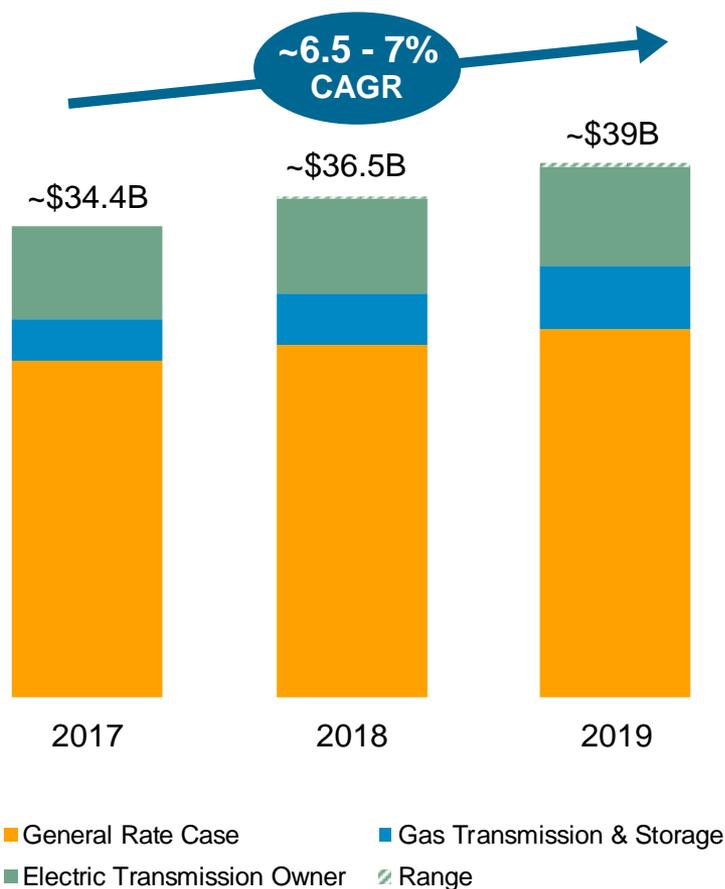
### Capital Expenditures (\$ in B) 2017-2019



# Ratebase Supports Strong Returns



## Weighted Average Ratebase (\$ in B) 2017-2019



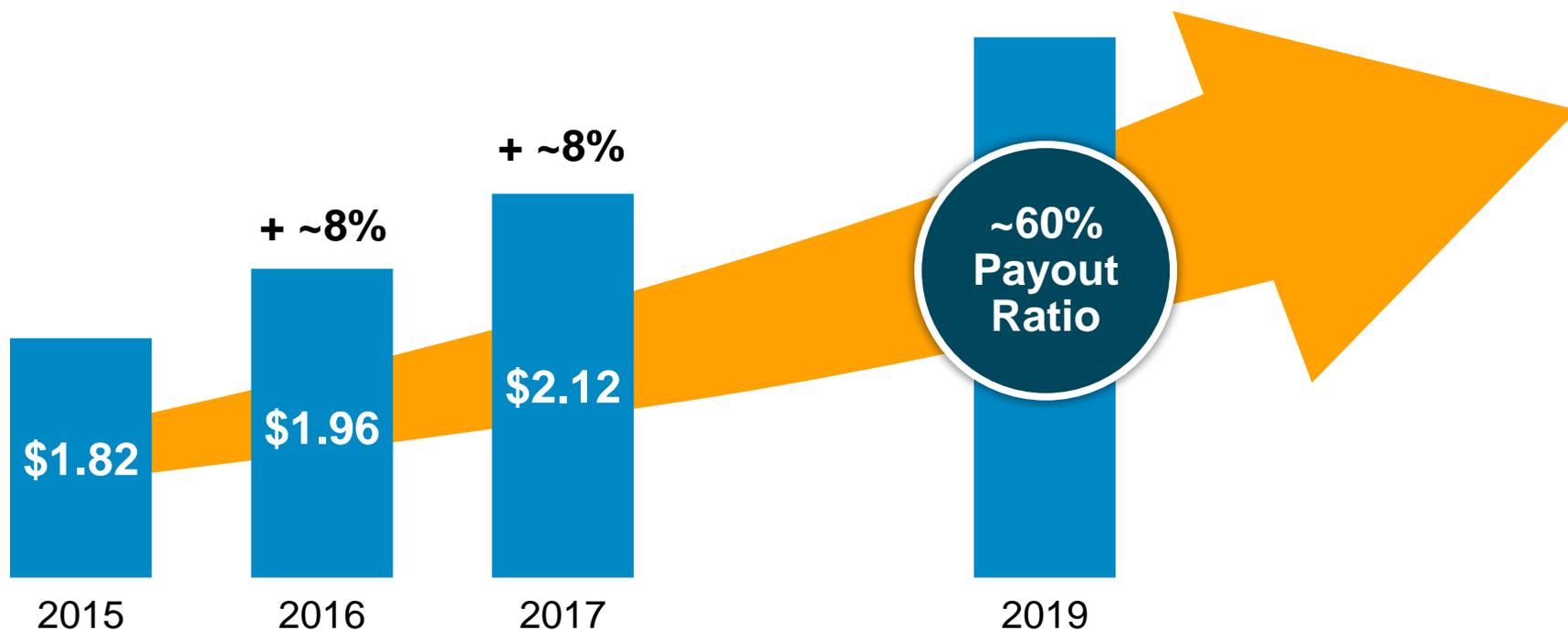
## Base Case Assumptions:

- 2017 General Rate Case through 2019
- 2015 Gas Transmission & Storage rate case
  - Phase 2 decision through 2018; flat in 2019
  - ~\$400M for 2011-2014 spend subject to audit added in 2019
- Transmission Owner rate case:
  - High end: TO19 filing held flat through 2019
  - Low end: TO17 settlement held flat through 2019
- Electric Vehicle Infrastructure decision in December 2016

## Potential Future Updates:

- 2019 Gas Transmission & Storage rate case
- 2018 and 2019 Transmission Owner rate cases
- State infrastructure modernization (e.g., rail and water projects)
- Future storage opportunities
- Future transportation electrification (e.g., January 2017 medium and heavy duty vehicle filing)
- New gas storage regulations

# Dividend Policy Supports Strong Total Shareholder Return



Targeting 55-65% payout ratio over time

## A Strengthened Company

- Significant safety, reliability and operational improvements
- Improved customer satisfaction

## Key Advantages

- One of the greenest utilities in the country
- Constructive regulatory and policy environment
- Multiple infrastructure investment drivers

## Robust Growth Profile

- State policies support strong cap ex and ratebase growth
- Resumed dividend growth

## Healthy 3-year growth profile

- ~6.5-7% ratebase growth
- Above average dividend growth



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## **Appendices**

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Appendix 8: Credit Metrics and Ratings	Slide 68



# Q3 2017 Earnings Results

	Q3		2017	
	Earnings (millions)	EPS	Earnings (millions)	EPS
<b>Earnings on a GAAP basis</b>	<b>\$ 550</b>	<b>\$ 1.07</b>	<b>\$ 1,532</b>	<b>\$ 2.98</b>
Items Impacting Comparability				
Pipeline related expenses	12	0.02	45	0.09
Legal and regulatory related expenses	1	-	5	0.01
Fines and penalties	11	0.02	47	0.09
Butte fire-related costs, net of insurance	42	0.08	27	0.05
Net benefit from derivative litigation settlement	(38)	(0.07)	(38)	(0.07)
GT&S revenue timing impact	-	-	(88)	(0.17)
Diablo Canyon settlement-related disallowance	-	-	32	0.06
<b>Earnings from Operations</b>	<b>\$ 578</b>	<b>\$ 1.12</b>	<b>\$ 1,562</b>	<b>\$ 3.04</b>

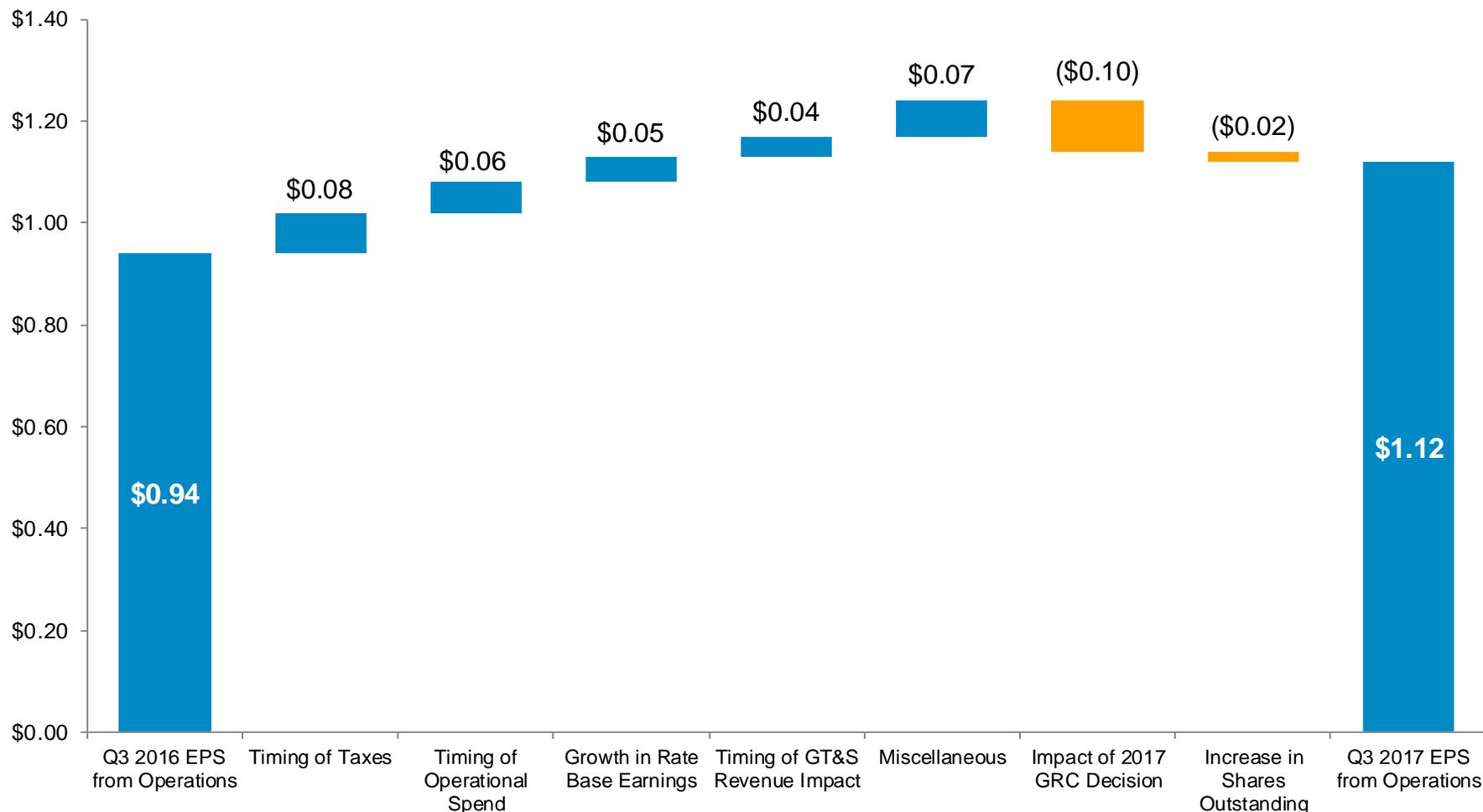
Items Impacting Comparability (millions, pre-tax)	Q3	2017
Pipeline related expenses	\$ 20	\$ 76
Legal and regulatory related expenses	2	9
Fines and penalties	11	71
Butte fire-related costs, net of insurance	71	46
Net benefit from derivative litigation settlement	(65)	(65)
GT&S revenue timing impact	-	(150)
Diablo Canyon settlement-related disallowance	-	47
<b>Total</b>	<b>\$ 39</b>	<b>\$ 34</b>

Earnings from Operations is not calculated in accordance with GAAP and excludes items impacting comparability. See Appendix 2, Exhibit A for a reconciliation of Earnings per Share ("EPS") on a GAAP basis to Earnings from Operations and Exhibit G for the use of non-GAAP financial measures.



# Q3 2017: Quarter over Quarter Comparison

## Earnings per Share from Operations



Earnings from Operations is not calculated in accordance with GAAP and excludes items impacting comparability. See Appendix 2, Exhibit A for a reconciliation of Earnings per Share ("EPS") on a GAAP basis to Earnings from Operations and Exhibit G for the use of non-GAAP financial measures.

## 2017 Earnings Per Share Guidance as of November 2, 2017



	Low	High
<b>Estimated EPS on a GAAP Basis</b>	<b>\$ 3.36</b>	<b>\$ 3.56</b>
Estimated Items Impacting Comparability		
Pipeline related expenses	~ 0.10	~ 0.10
Legal and regulatory related expenses	~ 0.01	~ 0.01
Fines and penalties	~ 0.09	~ 0.09
Butte fire-related costs, net of insurance	0.05	0.05
Net benefit from derivative litigation settlement	(0.07)	(0.07)
GT&S revenue timing impact	(0.17)	(0.17)
Diablo Canyon settlement-related disallowance	~ 0.06	~ 0.06
Northern California wildfires	~ 0.12	~ 0.12
<b>Estimated EPS on an Earnings from Operations Basis</b>	<b>\$ 3.55</b>	<b>\$ 3.75</b>

See the Forward Looking Statements for factors that could cause actual results to differ materially from the guidance presented and underlying assumptions. See Appendix 2, Exhibit E for PG&E Corporation's 2017 Earnings per Share Guidance and Exhibit G for the Use of Non-GAAP Financial Measures.

# 2017 Assumptions as of November 2, 2017



## Capital Expenditures

(\$ millions)

	<b>2017</b>
General Rate Case	3,700
Gas Transmission and Storage	900
Transmission Owner 18	1,100
<b>Total Cap Ex</b>	<b>~\$5.7 billion</b>

## Authorized Ratebase (weighted average)

(\$ billions)

	<b>2017</b>
General Rate Case	24.6
Gas Transmission and Storage	3.0
Transmission Owner	6.8
<b>Total Ratebase</b>	<b>~\$34.4 billion</b>

## Authorized Cost of Capital\*

**Return on Equity:** 10.4%

**Equity Ratio:** 52%

\*CPUC authorized

## Other Factors Affecting Earnings from Operations

- GT&S amounts not requested
- + Incentive revenues and other benefits

CWIP earnings: offset by below-the-line costs

## 2017 Items Impacting Comparability as of November 2, 2017



(\$ millions, pre-tax)		2017
Pipeline related expenses <sup>(1)</sup>	~	90
Legal and regulatory related expenses	~	10
Fines and penalties <sup>(2)</sup>	~	71
Butte fire-related costs, net of insurance		46
Net benefit from derivative litigation settlement		(65)
GT&S revenue timing impact		(150)
Diablo Canyon settlement-related disallowance	~	47
Northern California wildfires	~	100
<b>2017 Items Impacting Comparability Total</b>	~	<b>\$149</b>

Fines and Penalties (\$ in millions, pre-tax) <sup>(2)</sup>	
Charge for disallowed expense	32
GT&S ex parte penalty	15
Ex parte OII settlement	~ 24
<b>Total</b>	~ <b>\$71</b>

(1) Total cost of rights-of-way program expected to range from \$450 million to \$475 million

(2) Fines and penalties range excludes any additional potential future fines or penalties beyond those outlined above

# 2017 Equity Issuance as of November 2, 2017



*September 30, 2017 shares outstanding: ~514 million*



<b>Exhibit A:</b>	Reconciliation of PG&E Corporation's Consolidated Income Available for Common Shareholders in Accordance with Generally Accepted Accounting Principles to Earnings from Operations	Slides 39-40
<b>Exhibit B:</b>	Key Drivers of PG&E Corporation's Earnings per Common Share from Operations	Slide 41
<b>Exhibit C:</b>	Operational Performance Metrics	Slides 42-43
<b>Exhibit D:</b>	Sales and Sources Summary	Slide 44
<b>Exhibit E:</b>	PG&E Corporation's 2017 Earnings Per Share Guidance	Slides 45-46
<b>Exhibit F:</b>	2017 General Earnings Sensitivities	Slide 47
<b>Exhibit G:</b>	Use of Non-GAAP Financial Measures	Slide 48

# Exhibit A: Reconciliation of PG&E Corporation's Consolidated Income Available for Common Shareholders in Accordance with Generally Accepted Accounting Principles ("GAAP") to Earnings from Operations



Page 1 of 2

Third Quarter and Year to Date, 2017 vs. 2016

(in millions, except per share amounts)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Earnings		Earnings per Common Share (Diluted)		Earnings		Earnings per Common Share (Diluted)	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>PG&amp;E Corporation's Earnings on a GAAP basis</b>	<b>\$ 550</b>	<b>\$ 388</b>	<b>\$ 1.07</b>	<b>\$ 0.77</b>	<b>\$ 1,532</b>	<b>\$ 701</b>	<b>\$ 2.98</b>	<b>\$ 1.40</b>
Items Impacting Comparability: <sup>(1)</sup>								
Pipeline related expenses <sup>(2)</sup>	12	18	0.02	0.04	45	47	0.09	0.10
Legal and regulatory related expenses <sup>(3)</sup>	1	14	-	0.03	5	32	0.01	0.06
Fines and penalties <sup>(4)</sup>	11	42	0.02	0.08	47	206	0.09	0.41
Butte fire-related costs, net of insurance <sup>(5)</sup>	42	9	0.08	0.02	27	110	0.05	0.22
Net benefit from derivative litigation settlement <sup>(6)</sup>	(38)	-	(0.07)	-	(38)	-	(0.07)	-
GT&S revenue timing impact <sup>(7)</sup>	-	-	-	-	(88)	-	(0.17)	-
Diablo Canyon settlement-related disallowance <sup>(8)</sup>	-	-	-	-	32	-	0.06	-
GT&S capital disallowance	-	-	-	-	-	113	-	0.23
<b>PG&amp;E Corporation's Earnings from Operations <sup>(9)</sup></b>	<b>\$ 578</b>	<b>\$ 471</b>	<b>\$ 1.12</b>	<b>\$ 0.94</b>	<b>\$ 1,562</b>	<b>\$ 1,209</b>	<b>\$ 3.04</b>	<b>\$ 2.42</b>

All amounts presented in the table above are tax adjusted at PG&E Corporation's statutory tax rate of 40.75 percent, except as indicated below.

- (1) "Items impacting comparability" represent items that management does not consider part of the normal course of operations and affect comparability of financial results between periods. See Exhibit G: Use of Non-GAAP Financial Measures.
- (2) The Utility incurred costs of \$20 million (before the tax impact of \$8 million) and \$76 million (before the tax impact of \$31 million) during the three and nine months ended September 30, 2017, respectively, for pipeline related expenses incurred in connection with the multi-year effort to identify and remove encroachments from transmission pipeline rights-of-way.
- (3) The Utility incurred costs of \$2 million (before the tax impact of \$1 million) and \$9 million (before the tax impact of \$4 million) during the three and nine months ended September 30, 2017, respectively, for legal and regulatory related expenses incurred in connection with various enforcement, regulatory, and litigation activities regarding natural gas matters and regulatory communications.
- (4) The Utility incurred costs of \$11 million (not tax deductible) and \$71 million (before the tax impact of \$24 million) during the three and nine months ended September 30, 2017, respectively, for fines and penalties. This includes disallowed expenses of \$32 million (before the tax impact of \$13 million) during the nine months ended September 30, 2017, associated with safety-related cost disallowances imposed by the California Public Utilities Commission ("CPUC") in its April 9, 2015 decision ("San Bruno Penalty Decision") in the gas transmission pipeline investigations. The Utility also recorded \$15 million (before the tax impact of \$6 million) during the nine months ended September 30, 2017, for disallowances imposed by the CPUC in its final phase two decision of the 2015 Gas Transmission and Storage ("GT&S") rate case for prohibited ex parte communications. In addition, the Utility recorded \$11 million (not tax deductible) and \$24 million (before the tax impact of \$5 million) during the three and nine months ended September 30, 2017, respectively, in connection with the proposed decision and the settlement in the Order Instituting an Investigation into Compliance with Ex Parte Communication Rules ("ex parte OII").

# Exhibit A: Reconciliation of PG&E Corporation's Consolidated Income Available for Common Shareholders in Accordance with Generally Accepted Accounting Principles ("GAAP") to Earnings from Operations

Page 2 of 2



(in millions, pre-tax)	Three Months Ended	Nine Months Ended
	September 30, 2017	September 30, 2017
Charge for disallowed expense	\$ -	\$ 32
GT&S ex parte penalty	-	15
Ex parte OII settlement (tax deductible)	-	12
Ex parte OII settlement (not tax deductible)	11	12
<b>Fines and penalties</b>	<b>\$ 11</b>	<b>\$ 71</b>

Future fines or penalties may be imposed in connection with other enforcement, regulatory, and litigation activities regarding regulatory communications.

- (5) The Utility incurred costs of \$71 million (before the tax impact of \$29 million) and \$46 million (before the tax impact of \$19 million), during the three and nine months ended September 30, 2017, respectively, associated with the Butte fire, net of insurance. This includes accrued charges of \$350 million (before the tax impact of \$143 million), during the three and nine months ended September 30, 2017, related to estimated third-party claims. The Utility also incurred charges of \$18 million (before the tax impact of \$7 million) and \$46 million (before the tax impact of \$19 million), during the three and nine months ended September 30, 2017, respectively, for legal costs. These costs were partially offset by insurance recoveries of \$297 million (before the tax impact of \$121 million) and \$350 million (before the tax impact of \$143 million) recorded during the three and nine months ended September 30, 2017, respectively.

(in millions, pre-tax)	Three Months Ended	Nine Months Ended
	September 30, 2017	September 30, 2017
Third-party claims	\$ 350	\$ 350
Legal costs	18	46
Insurance	(297)	(350)
<b>Butte fire-related costs, net of insurance</b>	<b>\$ 71</b>	<b>\$ 46</b>

- (6) PG&E Corporation recorded proceeds from insurance, net of plaintiff payments, of \$65 million (before the tax impact of \$27 million) during the three and nine months ended September 30, 2017, associated with the settlement agreement in connection with the shareholder derivative litigation that was approved by the Superior Court of California, County of San Mateo, on July 18, 2017. This includes \$90 million (before the tax impact of \$37 million) during the three and nine months ended September 30, 2017, for proceeds from insurance, partially offset by \$25 million (before the tax impact of \$10 million) during the three and nine months ended September 30, 2017, for plaintiff legal fees paid in connection with the settlement.
- (7) As a result of the CPUC's final phase two decision in the 2015 GT&S rate case, during the nine months ended September 30, 2017, the Utility recorded revenues of \$150 million (before the tax impact of \$62 million) in excess of the 2017 authorized revenue requirement, which includes the final component of under-collected revenues retroactive to January 1, 2015.
- (8) As a result of the settlement agreement submitted to the CPUC in connection with the Utility's pending joint proposal to retire the Diablo Canyon Power Plant, the Utility recorded a total disallowance of \$47 million (before the tax impact of \$15 million) during the nine months ended September 30, 2017, comprised of cancelled projects of \$24 million (before the tax impact of \$6 million) and disallowed license renewal costs of \$23 million (before the tax impact of \$9 million), with no corresponding charges during the same periods in 2016. A portion of the cancelled projects and disallowed license renewal costs currently is not tax deductible.
- (9) "Earnings from operations" is a non-GAAP financial measure. See Exhibit G: Use of Non-GAAP Financial Measures.

# Exhibit B: Key Drivers of PG&E Corporation's Earnings per Common Share ("EPS") from Operations



Third Quarter and Year to Date, 2017 vs. 2016  
(in millions, except per share amounts)

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	Earnings per Common Share (Diluted)		Earnings per Common Share (Diluted)	
	Earnings		Earnings	
2016 Earnings from Operations <sup>(1)</sup>	\$ 471	\$ 0.94	\$ 1,209	\$ 2.42
Timing of taxes <sup>(2)</sup>	42	0.08	90	0.18
Timing of operational spend <sup>(3)</sup>	31	0.06	31	0.06
Growth in rate base earnings <sup>(4)</sup>	27	0.05	78	0.15
Timing of 2015 GT&S revenue impact <sup>(5)</sup>	22	0.04	172	0.33
Tax benefit on stock compensation <sup>(6)</sup>	-	-	31	0.06
Miscellaneous	41	0.07	43	0.08
Impact of 2017 GRC decision <sup>(7)</sup>	(56)	(0.10)	(92)	(0.18)
Increase in shares outstanding	-	(0.02)	-	(0.06)
<b>2017 Earnings from Operations <sup>(1)</sup></b>	<b>\$ 578</b>	<b>\$ 1.12</b>	<b>\$ 1,562</b>	<b>\$ 3.04</b>

- (1) See Exhibit A for a reconciliation of EPS on a GAAP basis to EPS from Operations. All amounts presented in the table above are tax adjusted at PG&E Corporation's statutory tax rate of 40.75 percent, except for tax benefits on stock compensation. See Footnote 6 below.
- (2) Represents the timing of taxes reportable in quarterly statements in accordance with Accounting Standards Codification 740 and results from variance in percentage of quarterly earnings to annual earnings.
- (3) Represents the timing of operational expense spending during the three months ended September 30, 2017 as compared to the same period in 2016.
- (4) Represents the impact of the increase in rate base as authorized in various rate cases, including the 2017 General Rate Case ("GRC"), during the three and nine months ended September 30, 2017 as compared to the same periods in 2016.
- (5) Represents the impact in 2016 of the delay in the Utility's 2015 GT&S rate case. The CPUC issued its final phase two decision on December 1, 2016, delaying recognition of the full 2016 revenue increase until the fourth quarter of 2016.
- (6) Represents the incremental tax benefit related to share-based compensation awards that vested during the nine months ended September 30, 2017. Pursuant to ASU 2016-09, *Compensation – Stock Compensation (Topic 718)*, which PG&E Corporation and the Utility adopted in 2016, excess tax benefits associated with vested awards are reflected in net income.
- (7) Represents the impact of lower tax repair benefits as a result of the CPUC's final decision in the 2017 GRC proceeding.



2017 Year to Date	Q3 Actual	EOY Target	Meets YTD Target <sup>(1)</sup>
<b>Safety (includes both public and employee safety metrics)</b>			
<b><u>Nuclear Operations Safety</u></b>			
Unit 1 Performance Indicator	97.0	90.5	✓
Unit 2 Performance Indicator	90.0	87.6	✓
<b><u>Electric Operations Safety</u></b>			
Electric Overhead Conductor Index	1.467	1.000	✓
911 Emergency Response	96.4%	97.5%	-
<b><u>Gas Operations Safety</u></b>			
Gas In-Line Inspection and Upgrade Index	1.4	1.0	✓
Gas Dig-ins Reduction	1.90	1.92	✓
Gas Emergency Response	20.3	21.0	✓
<b><u>Employee Safety</u></b>			
SIF Corrective Action Index	2.0	1.0	✓
Serious Preventable Motor Vehicle Incident Rate	0.262	0.239	-
Timely Reporting of Injuries	68.5%	71.3%	-
<b>Customer</b>			
Customer Satisfaction Score	75.3	76.4	-
System Average Interruption Duration Index (SAIDI)	86.8	107.0	-
<b>Financial</b>			
Earnings from Operations	\$1,562.0	See note (1)	See note (1)

See following page for definitions of the operational performance metrics. The operational performance goals set under the PG&E Corporation 2017 Short Term Incentive Plan (“STIP”) are based on the same operational metrics and targets.

(1) The 2017 target for earnings from operations is not publicly reported but is consistent with the guidance range provided for 2017 EPS from operations of \$3.55 to \$3.75.

## Safety

Public and employee safety are measured in four areas: (1) Nuclear Operations Safety, (2) Electric Operations Safety, (3) Gas Operations Safety, and (4) Employee Safety.

1. The safety of the Utility's nuclear power operations, Unit 1 and Unit 2, is an index comprised of 11 performance indicators for nuclear power generation that are regularly benchmarked against other nuclear power generators.
2. The safety of the Utility's electric operations is represented by (a) work that supports the safe reliable operations of the overhead electric system, and (b) the percentage of time that Utility personnel are on site within 60 minutes after receiving a 911 call of a potential Utility electric hazard.
3. The safety of the Utility's natural gas operations is represented by (a) the ability to complete planned in-line inspections and pipeline retrofit projects, measured by two equally weighted components of In-Line Inspections and In-Line Upgrades; (b) the number of third party "dig-ins" (i.e., damage resulting in repair or replacement of underground facility) to Utility gas assets per 1,000 Underground Service Alert tickets; and (c) the timeliness (measured in minutes) of on-site response to gas emergency service calls.
4. The safety of the Utility's employees is represented by (a) measuring the timely and quality completion of planned actions in response to Serious Injuries and Fatalities (SIF), (b) the number of serious preventable motor vehicle incidents that the driver could have reasonably avoided, per one million miles driven, and (c) the percentage of work-related injuries reported to the 24/7 Nurse Report Line within one day of the incident.

## Customer

Customer satisfaction and service reliability are measured by:

1. The overall satisfaction (measured as a score of zero to 100) of customers with the products and services offered by the Utility, as measured through a quarterly survey performed by an independent third-party research firm.
2. The total time (measured in minutes) the average customer is without electric power during a given time period.

## Financial

Earnings from Operations (shown in millions of dollars) measures PG&E Corporation's earnings from ongoing core operations. They allow investors to compare the underlying financial performance of the business from one period to another, exclusive of items that management believes do not reflect the normal course of operations (items impacting comparability). Earnings from Operations are not calculated in accordance with GAAP. For a reconciliation of Consolidated Income Available for Common Shareholders as reported in accordance with GAAP to Earnings from Operations, see Exhibit A.



Third Quarter and Year to Date, 2017 vs. 2016

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Sales from Energy Deliveries (in millions kWh)	24,160	24,067	62,914	63,486
Total Electric Customers at September 30			5,381,043	5,344,222
Total Gas Sales (in Bcf)	183	200	560	593
Total Gas Customers at September 30			4,465,259	4,438,565
<b>Sources of Electric Energy (in millions kWh)</b>				
Total Utility Generation	9,410	8,725	25,239	24,411
Total Purchased Power	9,189	12,560	25,905	32,327
Total Electric Energy Delivered <sup>(1)</sup>	24,160	24,067	62,914	63,486
<b>Diablo Canyon Performance</b>				
Overall Capacity Factor (including refuelings)	100%	100%	88%	95%
Refueling Outage Period	None	None	4/23-6/23	4/30-6/2
Refueling Outage Duration during the Period	None	None	61	33

(1) Includes other sources of electric energy totaling 5,561 million kWh and 2,782 million kWh for the three months ended September 30, 2017 and 2016, respectively, and 11,770 million kWh and 6,748 million kWh for the nine months ended September 30, 2017 and 2016, respectively.

*Please see the 2016 Annual Report on Form 10-K for additional information about operating statistics.*



2017 EPS Guidance	Low		High	
<b>Estimated EPS on a GAAP Basis</b>	\$	<b>3.36</b>	\$	<b>3.56</b>
Estimated Items Impacting Comparability: <sup>(1)</sup>				
Pipeline related expenses <sup>(2)</sup>	~	0.10	~	0.10
Legal and regulatory related expenses <sup>(3)</sup>	~	0.01	~	0.01
Fines and penalties <sup>(4)</sup>	~	0.09	~	0.09
Butte fire-related costs, net of insurance <sup>(5)</sup>		0.05		0.05
Net benefit from derivative litigation settlement <sup>(6)</sup>		(0.07)		(0.07)
GT&S revenue timing impact <sup>(7)</sup>		(0.17)		(0.17)
Diablo Canyon settlement-related disallowance <sup>(8)</sup>	~	0.06	~	0.06
Northern California wildfires <sup>(9)</sup>	~	0.12	~	0.12
<b>Estimated EPS on an Earnings from Operations Basis <sup>(10)</sup></b>	<b>\$</b>	<b>3.55</b>	<b>\$</b>	<b>3.75</b>

All amounts presented in the table above are tax adjusted at PG&E Corporation's statutory tax rate of 40.75 percent, except as indicated below.

- (1) "Items impacting comparability" represent items that management does not consider part of the normal course of operations and affect comparability of financial results between periods. See Exhibit G: Use of Non-GAAP Financial Measures.
- (2) "Pipeline related expenses" includes costs incurred to identify and remove encroachments from transmission pipeline rights-of-way. The pre-tax range of estimated costs is shown below. The offsetting tax impact for the low and high EPS guidance range is \$37 million.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
Pipeline related expenses	~ 90	~ 90

- (3) "Legal and regulatory related expenses" includes costs incurred in connection with various enforcement, regulatory, and litigation activities regarding natural gas matters and regulatory communications. The pre-tax range of estimated costs is shown below. The offsetting tax impact for the low and high EPS guidance range is \$4 million.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
Legal and regulatory related expenses	~ 10	~ 10

- (4) "Fines and penalties" includes fines and penalties resulting from various enforcement, regulatory, and litigation activities regarding natural gas matters and regulatory communications. Guidance is consistent with the disallowed expenses imposed by the CPUC in the San Bruno Penalty Decision in the gas transmission pipeline investigations, the disallowances imposed by the CPUC in its final phase two decision in the 2015 GT&S rate case for prohibited ex parte communications, and the CPUC's proposed decision in connection with the ex parte OII. Guidance does not include amounts for other potential future fines and penalties. The pre-tax range of estimated costs is shown below. The offsetting tax impact for the low and high EPS guidance range is \$24 million.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
Charge for disallowed expense	\$ 32	\$ 32
GT&S ex parte disallowance	15	15
Ex parte OII settlement	~ 24	~ 24
<b>Fines and penalties</b>	<b>~ 71</b>	<b>~ 71</b>



- (5) “Butte fire-related costs, net of insurance” refers to the costs associated with the Butte fire, net of insurance. The Utility currently is unable to estimate the low and high end of the guidance range of Butte fire-related third-party claims and legal costs for 2017. The offsetting tax impact is \$19 million.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
Butte fire-related costs, net of insurance	\$ 46	\$ 46

- (6) “Net benefit from derivative litigation settlement” refers to the settlement agreement in connection with the shareholder derivative litigation that was approved by the court on July 18, 2017. This amount includes proceeds from insurance net of plaintiff legal fees paid in connection with the settlement. The offsetting tax impact for the low and high EPS guidance range is \$27 million.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
Net benefit from derivative litigation settlement	\$ (65)	\$ (65)

- (7) “GT&S revenue timing impact” refers to the revenues recorded in excess of the 2017 authorized revenue requirements as a result of the CPUC’s final phase two decision issued on December 1, 2016 in the 2015 GT&S rate case. Accounting rules allow the Utility to recognize revenues in a given year only if they will be collected from customers within 24 months of the end of that year. Because the phase one decision issued by the CPUC directed the Utility to collect the difference between the adopted “interim” revenue requirements and the amounts previously collected in rates, retroactive to January 1, 2015, over a 36-month period, the Utility was not able to complete recording the full true-up of under-collected revenues until the first quarter of 2017. The pre-tax range of the recorded revenues is shown below. The offsetting tax impact for the low and high EPS guidance range is \$62 million.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
GT&S revenue timing impact	\$ (150)	\$ (150)

- (8) “Diablo Canyon settlement-related disallowance” refers to the settlement agreement submitted to the CPUC in connection with the Utility’s pending joint proposal to retire the Diablo Canyon Power Plant, comprised of cancelled projects and disallowed license renewal costs. The offsetting tax impact for the low and high EPS guidance range is \$15 million. A portion of the cancelled projects and disallowed license renewal costs currently is not tax deductible.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
Diablo Canyon settlement-related disallowance	~ 47	~ 47

- (9) “Northern California wildfires” refers to costs associated with the Northern California wildfires including the reinstatement of liability insurance coverage, legal services and other expenses. The offsetting tax impact for the low and high EPS guidance range is \$41 million.

(in millions, pre-tax)	2017	
	Low EPS guidance	High EPS guidance
Northern California wildfires	~ 100	~ 100

- (10) “Earnings from operations” is a non-GAAP financial measure. See Exhibit G: Use of Non-GAAP Financial Measures.



<b>Variable</b>	<b>Description of Change</b>	<b>Estimated 2017 Earnings Impact</b>
Rate base	+/- \$100 million change in allowed rate base	+/- \$5 million
Return on equity (ROE)	+/- 0.1% change in allowed ROE	+/- \$18 million
Share count	+/- 1% change in average shares	+/- \$0.04 per share
Revenues	+/- \$9 million change in at-risk revenue (pre-tax), including Electric Transmission and Gas Transmission and Storage	+/- \$0.01 per share

*These general earnings sensitivities on factors that may affect 2017 earnings are forward-looking statements that are based on various assumptions. Actual results may differ materially. For a discussion of the factors that may affect future results, see the Forward-Looking Statements.*



### **PG&E Corporation and Pacific Gas and Electric Company: Use of Non-GAAP Financial Measures**

PG&E Corporation discloses historical financial results and provides guidance based on “earnings from operations” in order to provide a measure that allows investors to compare the underlying financial performance of the business from one period to another, exclusive of items impacting comparability.

“Earnings from operations” is a non-GAAP financial measure and is calculated as income available for common shareholders less items impacting comparability. “Items impacting comparability” represent items that management does not consider part of the normal course of operations and affect comparability of financial results between periods, including certain pipeline related expenses, certain legal and regulatory related expenses, fines and penalties, Butte fire-related costs, net of insurance, net benefits from the derivative litigation settlement, GT&S revenue timing impact, the Diablo Canyon settlement-related disallowance, and the Northern California wildfires. PG&E Corporation uses earnings from operations to understand and compare operating results across reporting periods for various purposes including internal budgeting and forecasting, short- and long-term operating planning, and employee incentive compensation. PG&E Corporation believes that earnings from operations provide additional insight into the underlying trends of the business allowing for a better comparison against historical results and expectations for future performance.

Earnings from operations are not a substitute or alternative for GAAP measures such as consolidated income available for common shareholders and may not be comparable to similarly titled measures used by other companies.

# Tax Reform Helps Affordability and Creates Potential for Future Investments



	1. Lower Corporate Tax Rate	2. Loss of Interest Expense Deduction	3. Full Expensing of Capital Expenditures
<b>Utility</b>	<ul style="list-style-type: none"> <li>Excess deferred taxes flow back to customers</li> <li>Lower net cost of service revenues going forward</li> </ul>	<ul style="list-style-type: none"> <li>Higher costs borne by customers</li> </ul>	<ul style="list-style-type: none"> <li>Minimal near-term impact given net operating loss</li> <li>Reduced ratebase growth in the future</li> </ul>
<b>Holding Company</b>	<ul style="list-style-type: none"> <li>Reduction in deferred tax asset – shareholder impact</li> </ul>	<ul style="list-style-type: none"> <li>Limited impact due to low outstanding debt balances</li> </ul>	

Net Deferred Tax Liability (Asset) (millions, pre-tax) as of December 31, 2016	Utility	Holding Company
Property-related and other	\$ 12,110	\$ (50)
Operating loss carryforward	(1,600)	(250)
Net deferred tax liability (asset)	\$ 10,510	\$ (300)

# Geisha J. Williams



**Geisha J. Williams**  
**Chief Executive Officer (CEO) and President**  
**PG&E Corporation**

Geisha J. Williams was elected CEO and President of PG&E Corporation, effective March 1, 2017. Williams has more than three decades of experience in the utility industry.

Williams and her team are responsible for the end-to-end delivery of safe, reliable, affordable and clean electricity and gas to 16 million people in northern and central California. Her focus on renewables integration, grid modernization and smart grid technologies has resulted in PG&E customers benefitting from the best electric reliability in company history while also receiving energy that is nearly 70 percent greenhouse gas free. Williams previously was the Utility's President, Electric (August 2015 – February 2017) and Executive Vice President, Electric Operations (June 2011 to August 2015). In her role as President, Williams led all aspects of the Utility's electric business, including power generation, nuclear operations, transmission, distribution, and substation operations, asset management and strategy, energy procurement and customer care.

Before joining PG&E, Williams worked at Florida Power and Light (FPL) for 24 years. She served in a number of roles during her tenure there including Vice President of Power Systems, Electric Distribution. In this role, she was responsible for all aspects of the electric distribution infrastructure serving FPL's 4.4 million customers, including asset management and planning, engineering, construction, maintenance and restoration. During her time at FPL, she considers the company's restoration and recovery efforts in response to seven hurricanes that made landfall in a 15-month period as one of her proudest accomplishments.

Williams is a director at the Edison Electric Institute, the Institute of Nuclear Power Operations, and the Association of Edison Illuminating Companies. She also serves as the board chair for the Center for Energy Workforce Development and is an active participant in Executive Women in Energy.

Her involvement with the community includes serving as a trustee of the California Academy of Sciences and a member of the University of Miami President's Council. She is a five-time recipient of the Bay Area Most Influential Women in Business Award, and in 2014 she was honored with Leadership California's Trailblazer Award.

Williams holds a bachelor's degree in engineering from the University of Miami and a master's degree in business administration from Nova Southeastern University.

She lives in the Bay Area with her family.

# Nick Stavropoulos



**Nick Stavropoulos**  
**President & Chief Operating Officer**  
**Pacific Gas and Electric Company**

Nick Stavropoulos serves as President and Chief Operating Officer of Pacific Gas and Electric Company and has more than 35 years of experience in the U.S. and international energy industry. He oversees a diverse workforce of more than 23,000 employees across electric, gas, generation and nuclear operations as well as corporate support functions. He also serves on the utility's board of directors.

Today, he and his team are responsible for the end-to-end delivery of safe, reliable, affordable and clean electric and gas service to 16 million people across PG&E's 70,000 square mile service area in northern and central California. PG&E's energy portfolio is one of the cleanest in the nation with more than 60 percent of its portfolio coming from carbon-free energy sources.

Stavropoulos is a passionate advocate for workplace safety and safety culture. Under his leadership, PG&E's gas business has earned or qualified for international certifications including ISO 55000; PAS 55001; API RP 1173; and RC 14001. PG&E is the only North American utility to currently hold these third party certifications.

Prior to joining PG&E, Stavropoulos served as Executive Vice President and Chief Operating Officer for National Grid, an electricity and natural gas delivery company serving nearly seven million customers in the Northeast United States. As COO, he was responsible for all aspects of its U.S. gas distribution business. Throughout his career, he held a number of senior leadership positions with successive levels of responsibility, including Chief Financial Officer, at Keyspan's predecessor companies – Colonial Gas Company and Boston Gas.

Stavropoulos is an internationally sought after speaker on the topics of leadership and safety culture. In recent years, he has delivered keynote speeches at the International Atomic Energy Agency; National Safety Council's Campbell Institute; Institute of Engineering and Technology/The Institute of Asset Management Conference; International Safety Culture Symposium; and Global Safety Culture Conference.

Stavropoulos is a member of the Board of Directors for the American Gas Association, Gas Technology Institute as well as a member of the Advisory Board for Underwriters Laboratory's Integrated Health and Safety Institute. He holds a bachelor's degree in accounting from Bentley College and a master's degree in business administration from Babson College. He sits on the board of his alma mater Bentley University and has served on multiple public and not-for-profit boards including chairing audit committees. A native New Englander, he lives in San Francisco and is an avid Soul Cycler.

# Anthony F. Earley, Jr.



**Anthony F. Earley, Jr.**  
**Executive Chair**  
**PG&E Corporation**

Anthony F. Earley, Jr., is Executive Chair of the Board of PG&E Corporation. Earley joined PG&E in September 2011 as Chairman, Chief Executive Officer, and President after 17 years at DTE Energy, where he served as Executive Chairman, Chairman, and Chief Executive Officer.

Since joining PG&E, Earley has spearheaded major initiatives related to safety culture, operational excellence, long-term integrated planning, and workforce development. Under Earley's leadership, PG&E has experienced the highest reliability in its over 150-year history. PG&E also continues to grow its environmentally friendly generation portfolio, with more than 50 percent of its assets having no carbon emissions.

As former chairman of the Edison Electric Institute (EEI), the trade association of investor utilities, Earley was directly involved in the development of national policies on energy, the environment, and climate change issues. In 2014, Earley received EEI's Distinguished Leadership Award for his decades of contributions to the electric power industry. He also served as chair of the Nuclear Energy Institute.

Earley earned a Bachelor of Science degree in physics, a Master of Science degree in engineering, and a law degree at the University of Notre Dame, where he serves on the advisory council of the College of Engineering. After graduating from Notre Dame, Earley went on to serve as an officer in the United States Navy nuclear submarine program, where he was qualified as a chief engineer officer. He joined DTE Energy as president and chief operating officer in March 1994. Prior to joining DTE Energy, Earley served in various capacities at Long Island Lighting Company, including president and chief operating officer. He was also a partner at the Hunton & Williams law firm.

Earley serves on the executive committees of the Edison Electric Institute and the Nuclear Energy Institute and is a board member of the Electric Power Research Institute. He is also on the board at Ford Motor Company.

His commitment to the community includes memberships on the boards of United Way Bay Area, The Exploratorium, a science, arts, and human perception museum based in San Francisco, and the Bay Area Council. Earley was named 2015 Philanthropic CEO of the Year by the American Red Cross of the Bay Area. His community service was also recognized by readers of The Detroit News, and in 2003 he was selected as one of the several Michiganians of the Year.

# Jason P. Wells



**Jason P. Wells**  
**Senior Vice President and Chief Financial Officer**  
**PG&E Corporation**

Jason P. Wells is Senior Vice President and Chief Financial Officer for PG&E Corporation. Wells oversees the financial activities of the \$50 billion company including accounting, treasury, tax, risk, business and financial planning, and investor relations.

Wells began his career at PricewaterhouseCoopers, LLC, where he was most recently a senior manager. In 2007, Wells joined PG&E as the Director of technical accounting and was promoted to Senior Director and Assistant Controller of corporate accounting in 2008. In 2011, Wells became Vice President, Finance. He assumed his current position on January 2016.

He earned his bachelor's and master's degrees in accounting from the University of Florida. Wells is a Certified Public Accountant in the state of Florida. He currently serves as the Treasurer and on the board of Habitat for Humanity Greater San Francisco.

# John R. Simon



**John R. Simon**  
**Executive Vice President and General Counsel**  
**PG&E Corporation**

John R. Simon serves as Executive Vice President & General Counsel for San-Francisco-based PG&E Corporation. In his role, he oversees Law; Regulatory Affairs; Communications and Marketing; Land and Environmental Management; and Enterprise Records Management. He has held his current role since March 1, 2017.

John joined PG&E in 2007 and has held several senior roles within the company including Executive Vice President, Corporate Services and Human Resources and Senior Vice President, Human Resources.

Before joining PG&E, John worked for TeleTech Holdings, Inc., a global provider of customer care technology and services, where he held leadership roles in legal and human resources including Executive Vice President, Global Human Capital.

John holds a bachelor's degree from Colorado College and a law degree from Georgetown University. Following law school and a judicial clerkship with United States District Judge William Skretny, he spent 15 years litigating commercial cases in state and federal courts, first with Proskauer Rose in Washington, D.C., and later with Hallenbeck Lascell, in Rochester, New York.

John is a member of the Bars of New York, Illinois and Washington, D.C and registered as in house counsel in California. He serves on the Board of Trustees of the Marine Mammal Center in Sausalito and the California Minority Counsel Program in San Francisco.

# Patrick M. Hogan



**Patrick M. Hogan**  
**Senior Vice President of Electric Operations**  
**Pacific Gas and Electric Company**

Patrick M. Hogan is Senior Vice President of Electric Operations at Pacific Gas and Electric Company.

Hogan oversees PG&E's electric transmission and distribution system, which delivers safe and reliable energy to more than 16 million people throughout Northern and Central California. In addition to his electric responsibilities, Hogan has enterprise-wide responsibility for PG&E's Transportation Services organization, managing over 14,000 vehicles and pieces of equipment.

Prior to his promotion to Senior Vice President of Electric Operations in 2016, Hogan served as Vice President of Electric Strategy & Asset Management where he oversaw the company's electric transmission and distribution assets. Hogan also led the development and deployment of technology into PG&E's electric system.

Before joining PG&E in 2013, Hogan held leadership and officer roles in transmission, distribution, operations, engineering and asset management at British Columbia Hydro, National Grid, and KeySpan.

Originally from New York, Hogan holds a bachelor's and master's degree in electrical engineering from Manhattan College and a master's degree in business administration from Hofstra University. His community involvement includes serving on the board of the San Francisco Ballet, and he currently resides in San Francisco.



**Jesus Soto Jr.**  
**Senior Vice President, Gas Operations**  
**Pacific Gas and Electric Company**

Jesus Soto Jr. is the Senior Vice President of Gas Operations for Pacific Gas and Electric Company. He is responsible for overseeing and executing the day-to-day operations of the second largest natural gas system in the United States. PG&E's natural gas system provides safe, reliable, affordable and clean gas service to 16 million people in northern and central California.

Soto is passionate about public and employee safety and PG&E's Gas Operations earned ISO 55000 and PAS 55001 international certifications for the company's enhancements in gas asset management. PG&E is the only North American utility to currently hold these third party certifications. Through his leadership, PG&E was the first utility to deploy a state-of-the-art leak detection technology that is 1,000 times more sensitive than conventional leak detection tools. Soto's commitment to safety has led to a significant reduction in the time it takes PG&E to respond to gas odor calls.

Most recently, Soto served as Vice President of Operations Services for El Paso Corporation's Pipeline Group in Houston, TX. He led the technical services and support functions for pipeline operations and oversaw measurement, compression, reservoir and pipeline systems and Department of Transportation compliance. He was also responsible for risk and integrity management, public awareness and emergency response. Prior to that, Soto was vice president of engineering and construction, leading the engineering and construction programs for ANR Pipeline, El Paso Natural Gas, Colorado Interstate Gas, Southern Natural Gas and Tennessee Gas Pipeline for onshore and offshore facilities.

Soto holds a Bachelor of Science in civil engineering from the University of Texas at El Paso, a master's degree in civil engineering from Texas A&M University, and a Master of Business Administration degree from the University of Phoenix.

# David S. Thomason



**David S. Thomason**  
**Vice President and Controller**  
**PG&E Corporation**

**Vice President, Chief Financial Officer and Controller**  
**Pacific Gas and Electric Company**

David S. Thomason is Vice President and Controller of PG&E Corporation, as well as Vice President, Chief Financial Officer and Controller of Pacific Gas and Electric Company.

Thomason joined PG&E in 2001 as a senior accounting analyst after starting his career with Arthur Andersen in Portland. During his 16 years at PG&E, he has held a multitude of roles, growing as a leader and gaining additional responsibilities with each new position. Functional areas he has overseen include external financial reporting, revenue forecasting, planning and analysis, corporate accounting and more.

Thomason received a Master's degree in Business Administration from University of California, Berkeley, and a Bachelor's degree in Accounting from University of Oregon, Eugene. He holds registrations as a Certified Public Accountant in the states of California and Oregon.

# Separate Rate Cases Maintain Focus on Specific Assets



	General Rate Case	Gas Transmission and Storage Case	Transmission Owner Cases
Regulatory Jurisdiction	CPUC	CPUC	FERC
Time Period of Current Rate Case	2017-2019	2015-2018	2017
Revenue Requirement	\$8.0B	\$1.3B	\$1.7B
ROE (2017)	10.4%	10.4%	10.9% <sup>(1)</sup>
Key Next Steps	Implementation of GRC decision	Implementation of GT&S decisions	Hearings (TO18) and Settlement Talks ( TO19)

(1) FERC TO cases have typically been settled black box without an explicit ROE; FERC ROE is inclusive of 50 basis points adder. PG&E's objective is to earn the CPUC authorized ROE (10.4% in 2017) across the enterprise

# 2017 CPUC General Rate Case



- On May 11, the CPUC adopted the settlement agreement jointly submitted by PG&E, ORA, TURN, and 12 other intervening parties

(In Millions)	2017	2018	2019
<b>Approved Increase Consistent with Settlement</b>	\$ 88	\$ 444	\$ 361

- The decision diverges from the settlement agreement by: (1) modifying the proposed tax memorandum account, and (2) establishing a one-way balancing account related to funding for the Utility's Rule 20A undergrounding program
- The decision also denies the third attrition year and the proposed new balancing account for gas leak management requirements, arguing that both should be considered in other proceedings
- Assigned Commissioner: Picker  
Administrative Law Judge: Roscow



- On December 1, 2016, the CPUC voted out a final Phase 2 decision consistent with the proposed decision

Revenue Requirement (\$ millions)	Utility Requested Revenue Requirement	Phase 2 Decision Revenue Requirement	Difference (Decrease)*
2015	\$ 1,263	\$ 815	(\$ 448)
2016	\$ 1,346	\$ 1,061	(\$ 285)
2017	\$ 1,488	\$ 1,125	(\$ 363)
2018	\$ N/A	\$ 1,230	\$ N/A

- Assigned Commissioner: Peterman  
Administrative Law Judge: Dudney

\*Difference compares Utility Requested Revenue Requirement to Phase 2 Decision Revenue Requirement

## TO18 (2017 Revenues)

- July 29, 2016 – Filed TO18 with FERC requesting \$1.7 billion revenue requirement, a ~\$400 million increase over the approved TO17
  - ROE (inclusive of 50 basis points adder) 10.90%
  - Cap ex ~\$1.3B
  - WAVG Ratebase ~\$6.7B
- March 16, 2017 – Parties notified settlement judge of impasse
- January 2018 – Hearings scheduled, with initial decision expected on or before June 1, 2018

## TO19 (2018 Revenues)

- July 26, 2017 – Filed TO19 with FERC requesting \$1.8 billion revenue requirement, a ~\$75 million increase over the filed TO18 request
  - ROE (inclusive of 50 basis points adder) 10.75%
  - Cap ex ~\$1.4B
  - WAVG Ratebase ~\$6.9B

## Distributed Energy Resources (DER) Action Plan

- In December 2016, the CPUC adopted a DER Action Plan which is intended to be a roadmap to coordinate the development of DER policy across proceedings in three areas:
  - Rates and tariffs
  - Distribution grid infrastructure, planning, interconnection and procurement
  - Wholesale DER market integration and interconnection

## Distribution Resources Plan (DRP)

- The DRP proceeding is about integrating cost effective DERs into the utility's planning, operations, and investment decisions; the DRP proceeding is evaluating criteria for grid modernization investments, a framework for how to incorporate DER solutions into our distribution capital plans, as well as DER adoption forecasting processes

## Integrated Distributed Energy Resources (IDER)

- The IDER proceeding is examining how to create sourcing options that encourage DER deployment to areas and times of most value to the grid, and is considering DER valuation and cost-effectiveness in addition to piloting a utility incentive mechanism

### Structure and Cost

	Capital Structure	2017 Cost	2018-19 Cost <sup>(1)</sup>
Common Equity	52%	10.40%	10.25%
Preferred Stock	1%	5.60%	5.60%
Long-Term Debt	47%	5.52%	4.89%
<b>Weighted Average Cost of Capital</b>		<b>8.06%</b>	<b>7.68%</b>

- On July 13, 2017, the CPUC approved a joint petition from PG&E, the other California IOUs, TURN, and ORA to modify our 2018 and 2019 cost of capital and extend the deadline for filing our next application
- The trigger mechanism is suspended through 2018
- The next cost of capital application will be filed in April 2019

(1) 2019 is subject to trigger mechanism

## Light Duty Electric Vehicle Infrastructure

- December 15, 2016 – CPUC voted out a final decision authorizing \$130M of spend (\$109M capital, \$21M expense)

## Medium to Heavy-Duty Transportation Electrification

- January 20, 2017 – PG&E filed an application with the CPUC requesting approval of up to \$253M in costs (\$211M capital, \$42M expense) for 3 programs to support transportation electrification for medium to heavy-duty vehicles and public fast charging

Capital Investment (\$ millions) <sup>(1)</sup>	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Electric Vehicle Infrastructure	\$32	\$32	\$40	\$47	\$60	\$211

(1) Annual proposed breakdown results may vary

# Energy Storage

## Energy Storage RFO

- CPUC Storage Rulemaking (R.10-12-007) established 1,325 MW target for all IOUs (580 MW target for PG&E) by 2024 with up to 50% utility ownership of transmission and distribution projects
- CPUC's Decision establishes biennial procurement targets, including 4 solicitations
- December 1, 2016 – Second solicitation was issued, targeting 120 MWs:
  - Transmission 65 MW
  - Distribution 40 MW
  - Customer 15 MW
- The total procurement target has been expanded up to 150 MW in order to cover the 2016 target (120 MW) and shortfall from the 2014 ES RFO

## AB 2868

- AB 2868 (signed into law in September 2016) authorizes up to 500 MW of additional distribution and customer connected energy storage, allocated equally across the three IOUs; utility ownership is permitted
- On April 27, 2017, the CPUC approved a final decision for the implementation of AB 2868 which would require the IOUs to propose programs and investments for up to 167 additional MW of distributed energy storage resources in their 2018 energy storage procurement plan applications
- The decision also requires the IOUs to propose reasonable mechanisms for cost allocation and cost recovery as part of their plans

# Residential Rate/NEM Decisions

## Residential Rate Design OIR Decision

- The CPUC reviewed residential rate structure and issued a decision in July 2015 which ordered:
  - Transitioning from 4 to 2 tiers by 2019, with 1:1.25 ratio; currently at 2 tiers, with 1:1.38 ratio
  - “High Usage Surcharge” in 2017 for consumption at or above 400% of baseline
  - No fixed charges in near-term, but a \$10 minimum bill for non-CARE customers
  - The IOUs to file TOU rate proposals by January 2018, with pilots in 2016

## NEM 2.0

- The CPUC largely left NEM 1.0 rates in place, although its decision requires NEM 2.0 customers to take service under one of PG&E’s current TOU rates and to pay non-bypassable charges and small interconnection fees
- In December 2016, PG&E passed its NEM cap
- The CPUC has stated it will review NEM in 2019

## Time of Use Rates

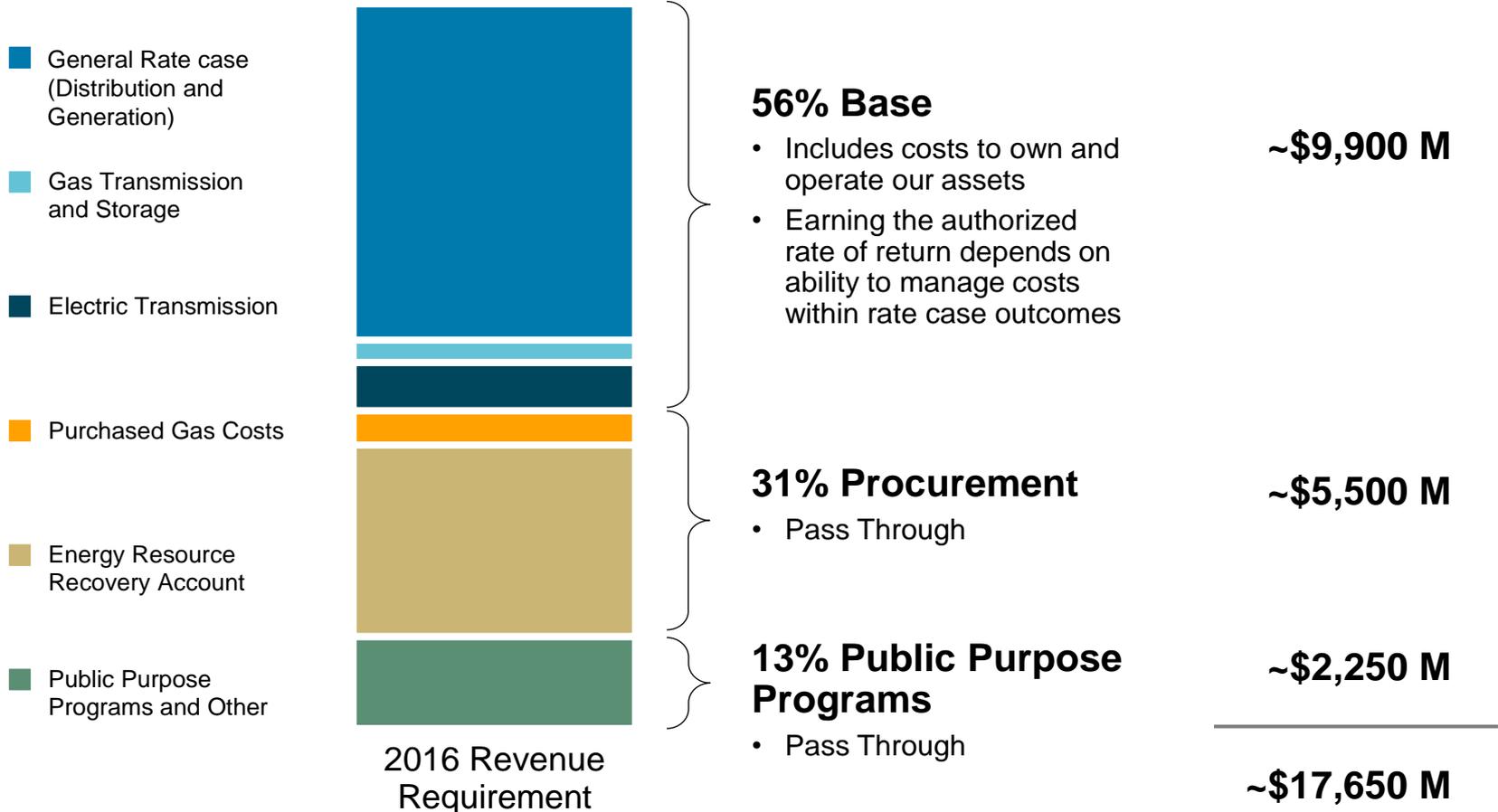
- In the DER Action Plan, the CPUC affirmed its intention to implement default TOU rates for all residential customers in 2019
- Currently, PG&E has opt-in TOU rate schedules available to customers; the peak for one is 4pm - 9pm, and the other is 3pm - 8pm transitioning to 4pm - 9pm in 2020
- PG&E will file our default TOU rate proposal, with a number of TOU options, with the CPUC by January 1, 2018; the peak period for default rates in 2019 is expected to be from 4-9 pm

# Breakdown of 2016 Total Revenue Requirement



## Revenue Requirement Component

## 2016 Revenue Requirement (\$ in M)



# Description of Gas System Safety Recognition



## ISO 55001

ISO (International Organization for Standardization) 55001 enables the development of an effective asset management system so that an organization can achieve its objectives consistently and sustainably over time. ISO consists of members from the national standards bodies of 162 countries and has published more than 19,500 international standards.

## PAS 55

PAS (Publicly Available Specification) 55 is a rigorous specification for optimized management of physical assets with widespread recognition among utilities, transport, mining, process and manufacturing industries worldwide. PAS 55 was developed by the Institute for Asset Management and published by the British Standards Institution.

## RC 14001

RC (Responsible Care) 14001 is the chemical industry standard issued through the American Chemistry Council (ACC) for process and product safety; community communications; security and safety, health, environmental (SHE) practices. A third party audit reviewed end-to-end safety processes at the company, ultimately approving PG&E as the first utility to secure the certification.

## API 1173

API RP (American Petroleum Institute Recommended Practice) 1173 outlines specific best practices for safe and effective pipeline operations underpinned by a healthy safety culture. PG&E joined other gas pipeline organizations, along with the National Transportation Safety Board and the Pipeline and Hazardous Materials Safety Administration to help co-author the standard.

	Fitch	Moody's	S&P
<b>Pacific Gas and Electric Company</b>			
Senior Unsecured Debt	A	A2	A-
Short-term Debt	F2	P-1	A-2
Outlook	Stable	Stable	Stable
<b>PG&amp;E Corporation</b>			
Senior Unsecured Debt	A-	A3	BBB+
Short-term Debt	F2	P-2	A-2
Outlook	Stable	Stable	Stable