

Call Participants

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Presentation

Operator

Good morning, everyone, and welcome to PG&E Corporation's Third Quarter 2022 Earnings Release Conference Call. [Operator Instructions]

I would now like to turn the call over to Matt Fallon, Director -- Senior Director, Investor Relations. Mr. Fallon, you may now begin.

Matthew Fallon

Senior Director of Investor Relations

Good morning, everyone. Thank you for joining us for PG&E's third quarter earnings call. With us today are Patti Poppe, Chief Executive Officer; and Chris Foster, Executive Vice President and Chief Financial Officer.

I want to remind you that today's discussion will include forward-looking statements about our outlook for future financial results. These are based on information currently available to management. Some of the important factors that could affect the company's actual financial results are described on the second page of today's third quarter earnings call presentation. The presentation also includes a reconciliation between non-GAAP and GAAP measures. The presentation can be found online, along with other information, at investor.pgecorp.com. We encourage you to review our quarterly report on Form 10-Q for the quarter ended September 30, 2022.

With that, I'll hand it to Patti.

Patricia Kessler Poppe

CEO & Director

Thank you, Matt. Good morning, everyone. Thanks for joining us.

As you can see on Slide 3, we are on track to deliver our commitments to you. We've narrowed our non-GAAP core EPS range for 2022 to \$1.09 to \$1.11 per share. As Chris will discuss, we performed well in the third quarter, providing room to reinvest for our customers in the fourth quarter and deliver at the midpoint of our non-GAAP core EPS guidance. No more, no less.

In addition, we're initiating 2023 non-GAAP core EPS guidance. You probably won't be surprised, 2023 is in line with our projected 10% growth in a band of \$1.19 to \$1.23. We're also reiterating our at least 10% EPS growth for 2024 and at least 9% in 2025 and 2026. No change there.

As you know, to fund growing important capital investment for our customers, we've been working on more efficient financing plans like the minority interest sale, Pacific Generation. We've been working on plans like this for some time within our 5-year planning process.

As a result, we're happy to report that we forecast no equity issuance for the remainder of this year, nor in 2023 nor in 2024. There will undoubtedly be ups and downs in that time frame as we continue to resolve legacy legal matters and regulatory investigations and proceedings. We want you to know that we work hard to provide flexibility for the unknowns with an eye toward maximizing the resources available to serve the needs of our customers.

Our goal is to be proactive, handle the ups and downs so that you don't have to. Our priority will always be to deliver the highest value investments for customers and deliver consistent financial results for you, our investors. Your capital is essential to our ability to make our system safer faster and to deliver for our customers.

Moving to Slide 4. We continue to be focused on mitigating physical risk and mitigating financial risk. I want to highlight a couple of major accomplishments for the team during the third quarter.

First, we experienced a historic 10-day heat wave starting in late August, with all-time record high temperatures and all-time demand on September 6. PG&E and the people of California rose to the challenge. We avoided rotating power outages, and we restored 97% of impacted customers within 12 hours. This response is a wonderful example of the PG&E team in action, partnering with the state, our fellow utilities, the California ISO and our customers, mitigating physical risk for our hometowns.

Second, this quarter, on our vegetation management, our efforts since 2021 are recognized in the CPUC draft resolution recommending us to exit Step 1 of enhanced oversight. You may remember that we entered into this additional regulatory oversight

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as a result of our evolving vegetation management program and inconsistent risk model application in 2020. Our customers have benefited from the constructive feedback of our regulators, and we thank them for their transparency and engaging oversight.

Another highlight of the quarter came as a result of the policymakers of California working hard through the legislative session to enable us to better serve our customers by passing 2 historic legislative packages, one for undergrounding and another to support the extension of our Diablo Canyon nuclear power plant. As I mentioned, we continue our focus on mitigating financial risk for our customers through our simple, affordable model, and mitigating financial risk for our investors by delivering consistent, predictable results and a stronger balance sheet.

Turning to Slide 5. We continue to add layers of protection that we estimate have mitigated 90-plus percent of the wildfire risk on our system today. Our layers start with our Wildfire Mitigation Programs, such as system hardening and undergrounding, vegetation management and enhanced inspections and repairs. We leverage Enhanced Power Line Safety Setting Technology and our Public Safety Power Shutoff tools to keep people safe when conditions require it.

We extend that protection by engaging with first responders when an ignition does occur to make sure that we are using our collective knowledge and experience to minimize the impact of fire spread. And of course, we continue to evaluate innovative solutions to move above the 90-plus percent wildfire risk reduction with a specific focus on low-energy faults, which are typically not currently mitigated by EPSS.

To address these faults, we're using partial voltage [force-out] and downed conductor detection capabilities. We've implemented partial voltage detection through our smart meters across the high fire risk areas and we've had 33 partial voltage force out since the program initiation in June, with 10 potential hazards identified that could have led to potential ignition.

For downed conductor detection, we've installed protection on over 5,000 miles of our overhead electric distribution lines in the high fire risk areas, and we've experienced 9 downed conductor detection outages to date, any one of which could have led to a potential ignition. We'll continue to innovate and push to further increase our wildfire mitigation above the estimated 90-plus percent in place today.

Here on Slide 6, you'll see our systematic approach that enables our 90-plus percent wildfire risk mitigation today. We've implemented our enhanced power line safety settings across 43,000 miles of high fire risk areas and select adjacent areas. With this systematic approach in place in 2022, we've seen a meaningful reduction in both the number of ignitions and size of fires when ignitions do occur.

While ignition count alone is a primary indicator of wildfire risk, not all ignitions are the same in terms of consequence, which is why we've developed this new metric, the Ignition Impact Measure. It's simply the sum of acres burned by CPUC reportable ignitions on primary distribution assets in high fire risk areas. This measure proves to us that EPSS works. Due to our efforts in 2022, despite 36% more R3 risk days in 2022 relative to the 2018 through 2020 average, we've seen a 99% reduction in the ignition impact measure.

Turning to Slide 7. We're committed to earning trust with policymakers in California, utilizing the simple, affordable model. The legislation on undergrounding and the Diablo Canyon extension fit right into the simple, affordable model, reducing financial risk by delivering safe, reliable, clean energy affordably to our customers.

The benefits of the undergrounding and Diablo Canyon extension bills are shown here on Slide 8. For undergrounding, the major benefit versus the prior construct is the longer-term work plan, which leads to real cost savings for customers. The new law allows us to provide certainty to our workforce, create longer-term partnerships for material and equipment and inform our hometowns about when they will benefit from their lines being buried. This long-term certainty is critical to accelerate permanent risk reduction of physical and financial risk for our customers.

For the Diablo Canyon power plant extension, the new law is a key step to allow us to provide California with a large source of non-GHG emitting baseload power for another 5 years. The alternative would have been for us and other load-serving entities in California to procure more expensive baseload clean power to replace what is today over 8% of all of California's energy consumed, provided annually by Diablo Canyon.

Replacing this power has proven challenging given clean energy supply constraints, and we estimate that this law will save customers several hundred million dollars relative to other potential baseload solutions. In addition to clean energy that provides savings to California electric customers, extending Diablo Canyon provides local jobs to over 1,000 PG&E coworkers and is a big boost to local businesses and the Central Coast economy.

Moving to Slide 9. We are early on our journey with policymakers, earning trust and establishing the stability necessary to attract capital to invest on behalf of our customers. It started in 2019 with the passage of AB 1054. AB 1054 provides a framework to keep California utilities financially healthy while we do the work necessary to mitigate wildfire risk. Building on the AB 1054 foundation, the 2 pieces of legislation passed in 2022 create the right outcomes for customers, mitigating physical risk and financial risk, further enhancing the California regulatory construct.

Looking ahead to 2023, we'll file our 10-year undergrounding plan, informed by feedback we receive from our various stakeholders, and we've proposed to finalize our potential sale of a minority interest in Pacific Generation, an example of our continuous effort on efficient financing.

Earning trust also requires that we fulfill our regulatory requirements and meet our standards. When we identify a shortcoming, we own that outcome, communicate transparently and take appropriate corrective actions. This week, we're doing just that. We filed a self-report with the CPUC for a pole inspection standard gap that was identified by a team of my coworkers. Our standard did not match the CPUC standard. We found it and are on track to remediate all of the highest-risk poles in question by the end of the week.

I've talked a lot about how we're using Lean here at PG&E. Our performance playbook is empowering our workforce and enabling us to make gaps to standards visible and allowing us to close the gaps, making us a better operator. This is an essential part of the turnaround and culture change here at PG&E. We need to have the will to change and the skills to execute. Our performance playbook enables both.

Closing on Slide 10, our report card slide. You can see here how we're tracking on our goals for 2022 and beyond. We added the Mosquito fire to our CPUC reportable ignitions greater than or equal to 100 acres. Though the investigation is not complete, we can see that the fire started near the base of our 60 kV steel pool. As Chris will discuss, we booked a liability for the Mosquito fire of \$100 million, which is well within our range of insurance.

We will miss our gas main miles replacement as we reallocated some funding to other higher-risk capital spend this year. This is a good example of our Lean operating system, making visible the best choices for our customers. We are comfortable making that visible to you too. You may also notice that we increased our annual rate base growth from 9% to 9.5% through 2026.

Our customers expect us to make the right infrastructure investments, and this investment reflects that. We will continue to do that and manage the affordability with our simple model. The other metrics are all on track, and we feel great about our progress.

With that, I'll hand it over to Chris, who will discuss our financial and regulatory items.

Christopher A. Foster
Executive VP & CFO

Thank you, Patti, and good morning, everyone. As Patti mentioned, we remain focused on delivering our financial commitments this year, and we are reaffirming the 5-year plan with our 2022 to 2026 earnings growth guidance remaining the same.

This morning, I have a few updates to share with you. To start, I'll recap our third quarter financial results. Then I'll walk you through the details of our 2023 guidance. And lastly, I'll provide a few highlights on regulatory and legislative items.

Let's start on Slide 11. With non-GAAP core earnings per share for the quarter coming in at \$0.29 and at \$0.84 for the first 9 months, we're solidly on track to deliver the midpoint of our narrowed 2022 non-GAAP core EPS guidance of \$1.10. As Patti mentioned, we took a charge of \$100 million for the Mosquito fire this quarter, an estimated impact that is well within our available \$940 million wildfire insurance and does not factor into our walk here. We expect applicable self-insurance for this fire to be recoverable in CPUC and FERC [rates].

Earlier this week, the CPUC issued a proposed administrative enforcement order related to the 2020 Zogg fire. The proposed order recommends a penalty of \$155 million. We'll look to work with the CPUC to resolve the issues identified in the proposed order as we have with other CPUC enforcement actions.

While we're showing strong results year-to-date in 2022, some of the benefit is timing related and some of the benefit reflects conservative planning. But because of these efforts, we'll invest back into the system as part of maximizing every available resource for our customers and meet our commitments to you. As Patti referenced, our active efforts during the year have also allowed us to eliminate equity needs for 2022.

Turning to Slide 12. With 2022 nearly complete, we're initiating 2023 guidance, consistent with our existing 5-year guidance and reflective of our abundant customer safety and reliability capital investment opportunities. Our 2023 non-GAAP core EPS guidance

is up 10% from our 2022 midpoint at \$1.21, which reflected here within a tight range of \$1.19 to \$1.23. On the financing front, at the operating company, we expect to issue net long-term debt through 2023, largely in line with our planned CapEx, less depreciation and our improved capital structure.

An important part of our financing plan is the sale of a minority interest in Pacific Generation filed with the CPUC last month. This proposed transaction would allow customers to retain the benefits of our flexible and clean generation portfolio with no bill impact while providing a source of funding to be invested in the system for their benefit. Our plan to utilize efficient financing from the proposed minority interest sale, along with moderating our parent debt paydown, result in us projecting no equity issuance in 2023 or 2024.

I want to reinforce that customer affordability remains at the forefront of all our decision-making as we turn to Slide 13. Moderating customer bill growth to at or below inflation is our guidepost. And the simple, affordable model is how we will get there. Our proposed minority interest sale fits squarely into the efficient financing category shown here, with proceeds providing an alternative to equity issuance.

As this transaction moves through the regulatory approval process, with a proposed transaction close date in Q4 2023, we are not slowing down our pursuit of additional O&M cost reductions. Our annual 2% nonfuel O&M cost reduction target remains another key aspect of our simple, affordable model, and we're making additional progress on this front in our 2023 general rate case.

Which takes us to my last topic, our key regulatory and legislative updates. Starting at the top of Slide 14, we received a proposed decision in an alternate proposed decision in our 2022 Cost of Capital proceeding. Both the proposed decision and the alternate acknowledges an extraordinary event occurred and that no automatic adjustment mechanism should be implemented.

The proposed decision calls for a second phase to determine the appropriate ROE for 2022, while the ultimate call for the ROE to remain at 10.25%. In the 2023 Cost of Capital case we expect to see a proposed decision in November, which will allow for a final decision before the end of the year.

Moving to the 2023 General Rate Case. This month, we filed a settlement agreement that provides for 100% wildfire liability self-insurance. This is a great outcome for customers with the potential for up to \$1.8 billion in savings over the 2023 to 2026 GRC period, and here's how it works.

If approved, the settlement allows for self-insurance to be funded through CPUC jurisdictional rates starting at \$400 million for test year 2023 and subsequent years into \$1 billion of unimpaired self-insurance is reached. Given the high cost of wildfire insurance, this was a priority for PG&E, TURN and CAL advocates, and we'd like to thank the parties for working collaboratively on a constructive outcome for customers.

We're asking for a final decision by February 2023 so we can lock in the self-insurance option for the 2023 policy year. The remainder of the 2023 general rate case continues to move through the process, with the final decision scheduled for the third quarter of 2023.

Moving down the slide, we will summarize the status on our outstanding recoveries related to Diablo wildfire risk reduction investments. We have approximately \$5.7 billion outstanding at the end of the quarter. Of this amount, approximately \$800 million has already been approved for cost recovery through 2023, and we anticipate an additional roughly \$1 billion in additional recoveries in 2023 overall.

This month, the CPUC issued both a proposed decision and an alternate proposed decision on our 2020 wildfire mitigation and catastrophic events application. While we are glad to see the movement in this case, we're disappointed with the proposed decision, both of which declined to adopt our settlement agreement in full, and we will be advocating for improvements.

At the bottom of this slide, we highlight 2 important pieces of legislation signed by the governor last month. SB 884 provides support for a 10-year undergrounding plan, which we'll file in 2023. And SB 846 provides for the 5-year extension of Diablo Canyon, which, as Patti discussed, is a great outcome for our customers and our coworkers.

I'll close on Slide 15 by reiterating that we are on track to deliver our 2022 financial targets, on plan to deliver predictable results and mitigate financial risk. Our 5-year commitment remains unchanged. Non-GAAP core EPS growth of at least 10% each year in 2022 to 2024 and at least 9% in 2025 and 2026.

With that, I'll hand it back to Patti.

Patricia Kessler Poppe
CEO & Director

Thank you, Chris. As I wrap up our prepared remarks, I want to take a moment to thank Matt Fallon for his dedicated service to PG&E during a very difficult time. We wish Matt our very best, and I know you do, too.

By mitigating physical and financial risk for our customers and investors, we continue on our path toward making PG&E a premium utility, and we've made tremendous progress in 2022. We know we are rebuilding this utility in a way that can last. We are turning the page on our history, focused on the new PG&E story. We trust that you feel the momentum too.

With that, operator, please open the line for Q&A.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Shahriar Pourreza from Guggenheim Partners.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

So just maybe starting off with the new 9.5% rate base CAGR you put out there. I guess, what are some of the moving pieces that caused you to tick up by that 50 bps? Is it just confidence around the prior range that was provided by undergrounding? Is it some of the investment opportunities from Diablo Canyon, baseline CapEx up? Is it all of the above? And I guess, can you just help bridge the driver of that increase? And is there any near-term opportunities that could further be incremental to that plan?

Patricia Kessler Poppe
CEO & Director

Yes. Great question, Shahriar. Look, one thing that I have definitely learned is that we have a lot of work to do here at PG&E. And one thing that's been really interesting to watch is our new business applications. We have over 120,000 applications for new business in a given year.

And so as we're always looking to allocate capital and making sure we're serving all of our regions appropriately and making sure we have the best service for our customers, regardless where they live in our service area, we knew that we needed to really make sure that we had enough capital deployed to make -- to serve that new business and certainly.

The additional electrification that we're starting to see and our electric vehicle count continues to grow. And so capacity and new business will be a primary use. But as you can imagine, we do a lot of work on capital allocation and making sure that we can serve all of our regions well.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Got it. Perfect. And then just, Patti, looking at sort of your early outlook for financing. You guys reduced equity needs through '24, down to 0 and now you're targeting about \$2 billion more in debt paydown. I guess what are some of the moving pieces and being able to get the offset? And just to confirm, you're now embedding the proposed equity sale of Pacific Generation. What are you assuming there since this process is, I guess, in more infancy stages still?

Christopher A. Foster
Executive VP & CFO

Hey, Shar. So I think, say, there's a couple of things moving around, obviously. But I think maybe the place to start is what are we solving for. I think Patti really hit it earlier, which is we've got substantial capital needs for the system. We're balancing that with going forward with the best economic decisions we can make on the financing itself. So that's why you heard us say moderating at the holdco debt paydown, eliminating equity needs for '23 and '24. And we're going to continue to target that mid- to high teens FFO to debt guide through the plan. So that hasn't changed. So really, we're constantly managing the ups and downs.

A couple of the examples to think about even in the last couple of years: our San Francisco general office sale, the towers' related lease transaction, and now we've got the Pacific Generation transaction as well. It is embedded in the plan, Shar, right? We've got a current assumption for a year-end 2023 resolution at the CPUC. But obviously, we're going to be managing conservatively there around timing. So hopefully, that helps paint the moving pieces for you a bit.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

No, it does. Fantastic. I'll jump back in the queue. See you guys soon, and congrats, Mr. Fallon.

Patricia Kessler Poppe
CEO & Director

Thanks, Shar.

Operator

Our next question comes from Steve Fleishman from Wolfe Research.

Steven Isaac Fleishman
Wolfe Research, LLC

So great to see some of this progress and also great to see it getting reflected in the stock price recently, but obviously begs the question, just is there any color on the Fire Victim Trust and how they're thinking about things now that the stock looks like it might actually be above where they got it at?

Christopher A. Foster
Executive VP & CFO

Sure, Steve. As you can imagine, we remain in continuous contact with the Fire Victim Trust, just given they are a large shareholder of the company. But at this point, it's definitely a very explicit decision in terms of execution of any kind of financing.

Most recently, certainly, all that we saw in the market are roughly 35 million shares, just over, I think, about a month ago. So at this point, as you can imagine, it's tough for us to predict any future explicit transaction there.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. Good. And then just on the minority sale and looking at your rate base, is that -- is the rate base associated with that potential sale included in your rate base still? Could you just remind us how much that would be?

Christopher A. Foster
Executive VP & CFO

Sure, Steve. I think it's very limited is the way to think about it. You'd look at it and probably see about \$0.03 total change. But that's -- in terms of our overall plan, that's pretty easy for us to manage here over that time frame. So really, for us, it's about the efficient financing that this opportunity provides, which is why this is really about the focus here over the next couple of years.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. But it's still in the rate base data, so we just make that adjustment once we see something. That's not like pulled out already of the rate base?

Christopher A. Foster
Executive VP & CFO

That's correct. We did not explicitly pull it out. Yes, thanks for the clarifying question.

Steven Isaac Fleishman
Wolfe Research, LLC

And then last question is just in terms of the overall financing environment and, I guess, kind of combining with kind of IRA impacts. Could you just talk to whether the kind of higher cost financing environment and IRA and all those things are kind of embedded in this kind of refresh plan? Is there anything we need to be watching? Yes.

Christopher A. Foster
Executive VP & CFO

Yes, they definitely are embedded. In fact, we were able to update our general rate case here recently, which really showcased the next 4 years of IRA impacts. So really, you could see that no material impacts in terms of the overall plan itself in the 5-year plan.

What I would offer is kind of 2 different points, though. One, the customer benefits that can come here from the IRA's passage is substantial. We're talking probably over \$0.5 billion over the next 10 years, just purely in customer savings from reduced pricing on the renewable energy contracts and PPAs that we pursue.

Then in the near term, as we look at interest rate pressure, we've already assumed that rates continue to go up. And just as a reminder for us, in terms of a rule of thumb, you can probably look at a 100 basis point move for the company's up or down is roughly \$0.02

up or down. So we've already managed roughly \$60 million in impacts this year and are comfortable, again, managing that going forward.

Operator

Our next question comes from Julien Dumoulin-Smith from Bank of America.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Congratulations on the continued success here. Really, really impressive. Just if I can -- clarifying a couple of things, thus far. Your '23 outlook here, I mean, given the step-up in rate base, one might have thought there might have been a bigger jump in earnings here. Can you elaborate a little bit on the moving pieces here?

Clearly, the front-end impact of a sale here of rate base, you said \$0.03 a moment ago, what would be one of potentially a plurality of items here. But can you talk about it outside of just the conservatism in your plan about the bigger step-up in rate base versus earnings?

And then separately, I'm just throwing a quick second question at the same time. The '25 and '26 [bio emission], are you saying that there's still kind of an equity balance sheet need?

Patricia Kessler Poppe
CEO & Director

Thank you, Julien. A couple of things. First, as you know, we do plan conservatively, and that's how we can be confident in our forward-looking equity forecast as well as our -- in equity guidance as well as our earnings guidance. Our goal is to ride those ups and downs. And we still, as I mentioned, we'll see legacy items. We'll see items of opportunity, and we'll see items that we can invest back in the business.

It is always going to be #1 for us to be balancing affordability with quality of service. And so that's -- those are the trade-offs and the [positions] that we balance against. And so that's what drives our earnings forecast. We think that added 10% EPS growth, we feel good about that, and we feel good that we can consistently deliver. And that's what is most important to us and to our customers, and I think that's how we best serve investors as well.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Got it. On '25 and '26 there? Maybe a Chris question.

Christopher A. Foster
Executive VP & CFO

Sure, Julien. I was just getting ready to jump in. I think that as we look at the timing, really, around the Alpine -- excuse me, around the Pacific Generation sale, at this point, you can imagine we'll be getting greater certainty as we go into next year. We've got a midyear time frame of an initial view from the CPUC, at least, in what we've requested. And so once we can get further along there, I think once we also look at our dividend reinstatement, right, we're going to be able to give a better view on equity as we go out to '25 and '26. Certainly, at this point, just too early.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Yes. No, you give something, we want more, right, always.

Patricia Kessler Poppe
CEO & Director

We know, Julien. We know. We know. We're just keeping it on the straight and narrow here. Thank you.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Indeed. Congratulations and nice [movement], Patti, on bringing the conservatism back into the plan that we know you for.

Patricia Kessler Poppe
CEO & Director

Thank you, Julien.

Operator

Our next question comes from Michael Lapides from Goldman Sachs.

Michael Jay Lapides
Goldman Sachs Group, Inc., Research Division

I actually have 3. I apologize for 3 questions. I'll just rattle them off. I think 2 are probably for Chris, one for Patti.

The 2 for Chris. Just curious, as you think out a few years, how much in the way of holding company debt do you want to keep up top? That's question one. Question two is, can you remind us what your cash tax position will be post-IRA, and whether that impacts the level of cash taxes going forward?

And then Patti, for you, labor availability. I know labor rates for -- and I'm thinking a line or craft and folks who work on the system. I know labor rates are up a lot, especially in your region. But are you seeing any challenges in the actual availability regardless of costs?

Patricia Kessler Poppe
CEO & Director

Okay. Chris, why don't you take the first 2, and then I'll take number 3.

Christopher A. Foster
Executive VP & CFO

Sure, happy to. Michael, it's here on the first one in terms of holdco debt, again, as a reminder, we've got \$4.75 billion in holdco debt at this point. And what we updated this morning is, as we're looking through the plan from now through 2026, we anticipate reducing that over \$2 billion. So the \$2 billion-plus number that we provided this morning.

On cash taxes, at this stage, we were, again, pretty specific in terms of our filing, in terms of our general rate case specifically there. It's tough for me to be much more specific on cash taxes other than to say -- what we experienced in the 5-year plan was really a generally offsetting impact from the corporate minimum tax and then the depreciation provisions that were embedded there. So really no material impact in the plan in the near term.

Patricia Kessler Poppe
CEO & Director

And then I'll go on to question 3 on the labor availability. Michael, it's a great question. And I'm really -- I just need to give a shout out to our labor partners, the ESC and the IBEW have been extraordinary partners for us as we've been really turning around the company.

And just one example. We felt like we were -- we could do a better job serving the Bay Area, specifically San Francisco and the City of Oakland, and we had a challenge staffing those communities. And we worked with our union. And in fact, we challenged ourselves to add 100 new line workers for the city of San Francisco and Oakland, and we weren't sure we would be able to find those resources. And in fact, we have.

And the beauty of that is, as we hired those line workers to work here at PG&E, we were able to actually save money because we were paying premiums for contractors. And we ended up saving over \$8 million by in-sourcing 100 new line workers. So it's really an incredible opportunity to work with our labor unions. People want to work at PG&E, and we're able to attract that talent.

Operator

Our next question comes from Nicholas Campanella from Credit Suisse Financial Services.

Nicholas Joseph Campanella
Crédit Suisse AG, Research Division

I dropped, so hopefully, I'm not repeating a question here. But I guess, just since you kind of announced this minority interest sale and the strategy around Pacific Generation, have you had incomings of interest on the assets? And can you give us any kind of detail on how those conversations have been? And just overall interest in the assets would be helpful.

Christopher A. Foster
Executive VP & CFO

Nick, absolutely. No, thanks for the question. I know it's a busy morning. This hasn't been asked. So happy to give you color, at least, in what we can. Again, the portfolio itself is one that is very clean, right? We're talking about 5.6 gigawatts, with 75% of it plus is completely GHG-free and a very straightforward predictable regulatory environment for these assets themselves. So because of that, certainly have had interest in the assets themselves.

But let me maybe help give you some color on timing, right, and the time frame we're looking at. We have already filed the request of the CPUC for the ability to create the subsidiary at the utility. So the way I would think about this in terms of our timing, we'll be in that marketing process with counterparties in Q1 next year.

So it's a little premature for me to give a whole lot of color, other than to say, definitely, it had inbounds -- inbounds definitely have had interest. But we want to make a little bit more progress, first, here on the underlying case itself before we get into those detailed diligence discussions.

Nicholas Joseph Campanella
Crédit Suisse AG, Research Division

Got it. That's helpful. That's helpful. And then just on the credit side, a lot of positive data points across the board this year. The credit right neutral securitization and you seem to be on the path to achieve the FFO to debt targets that you've lined out. Just what are the conversations with the agency has been? How should we just kind of think about timing to get back to investment grade at the holdco?

Christopher A. Foster
Executive VP & CFO

Sure. Very focused there, Nick, as you can imagine, it's really 2 things for us. It's -- first, it's the quantitative measures, consistently focused there on FFO to debt, as we've talked about and we think that trajectory of mid- to high teens puts us on that path to continue to walk up beyond the positive outlooks that we recently saw.

Additionally, I think it's really important, some of the highlights that we were able to provide this morning show progress on the qualitative component. Patti really hit in detail the progress we're making with 99% risk reduction as it relates to our EPSS protocols. That's the essence of the improvements we need to be able to show operationally.

Additionally, the final key piece is consistent, timely straightforward regulatory outcomes. And I think that, that's what we're starting to see. We showcased both on the legislative and the regulatory side progress being made, on the legislative side with the Diablo Canyon legislation as well as undergrounding. And then it's up to us to now file next year a comprehensive 10-year undergrounding plan and really execute that work effectively.

Similarly, on the regulatory side, I think that we've got right in front of us here cost of capital-related decisions that are going to be important to showing the rating agencies progress on, again, both quantitative, in terms of the episode debt and then qualitative on both operational and regulatory efforts that are underway.

Nicholas Joseph Campanella
Crédit Suisse AG, Research Division

All right. Thanks so much team, and Matt, pleasure working with you.

Matthew Fallon
Senior Director of Investor Relations

Thanks, Nick.

Operator

Our next question comes from Gregg Orrill from UBS.

Gregg Gillander Orrill
UBS Investment Bank, Research Division

So as you get to the point where you're tapping the Wildfire Fund, can you please sort of remind me of the process there and the time line? And if there's any sort of review around that and how you think about it?

Christopher A. Foster
Executive VP & CFO

Sure. Gregg, I think there's a few steps that I can lay out there for you. So specifically, this would relate to the charge we've taken on the Dixie fire, where the implication would be a roughly -- very small, but a roughly \$150 million impact to the Wildfire Fund.

So the way to think about this is, we'll work our way through now the various legal claims themselves. Traditionally, it takes -- you really don't get your arms around really the totality of the legal claims for roughly 2 to 3 years. Then we embark upon settlement and resolution or litigation of those claims.

At that stage, you then move forward with a review at the CPUC of roughly 12 to 18 months, right? So you've got 3 years, then you add another 18 months for our filing related to prudence under the new AB 1054 improved construct. Only after that, once we've resolved -- and I believe the wording in the law is substantially resolved, most of the claims, only then would you be knocking on the door of the Wildfire Fund for those recoveries.

And so as you've seen at this stage in terms of our -- both the charge we took and the offsetting receivables, we are confident at this point that in terms of our actions at that location as a prudent operator to be able to have both recoveries above insurance at the CPUC and FERC as well as recoveries at the Wildfire Fund, but it will be a few years ahead of us.

Gregg Gillander Orrill
UBS Investment Bank, Research Division

Okay. And then the realization of the tax benefits related to the Fire Victims Trust sales, what's the timing of how that comes through? How does that work?

Christopher A. Foster
Executive VP & CFO

So we recognize -- thank you, Gregg. We do recognize those tax benefits. You'd see those on a quarterly basis as we update each quarter because any time there is a sale, both the Fire Victim Trust enjoys the tax benefit as well as the company. So we would -- you would see that updated as the [three] sales have happened this year directly into our financials in the subsequent quarter.

Gregg Gillander Orrill
UBS Investment Bank, Research Division

Congratulations.

Christopher A. Foster
Executive VP & CFO

Thank you, Gregg.

Patricia Kessler Poppe
CEO & Director

Thanks, Gregg.

Operator

Our next question comes from David Arcaro from Morgan Stanley.

David Keith Arcaro
Morgan Stanley, Research Division

I was wondering if you could speak to the GRC. There was your recent update related to inflation, had a fairly significant impact on just the higher rate base level that's getting requested there. Wondering if you could just give a sense of are those inflation numbers -- they were fairly mechanical so are they real? How are you interpreting them in terms of the costs of the business for the next couple of years? And how might the commission interpret those inflation adjustments that were made?

Patricia Kessler Poppe
CEO & Director

It's a great question. We definitely are seeing inflation in our actual spend. We see that. But I think what's really important to think about, as we look at our filings and our GRC and the inflation update, is our commitment to affordability for customers. And so as we look at the -- our bills here in California, we do have the benefit of mild weather in most parts of our state.

And so that's one piece of the puzzle here that we're aware of that our energy bills are a lower percent of wallet than in many parts of the country. However, there are parts of our state where they are more energy intensive. And so we have a very important focus on affordability, and that's what the simple, affordable model is all about.

We know that our customers have been really anxious for us to invest in our infrastructure, make it more resilient, make it safer, make it more reliable, and yet make it affordable. And so as we do our O&M cost reductions, as we do efficient financing through things like our Pac Gen sale, we have ways of offsetting the capital investment to the benefit of customers. And customers will start to experience that in the coming years.

And just -- here's one example. I was -- I'm sort of famous for a story of the month. So here's our story this month. In fact, it was a story of the week, if you will, because it seems like we're finding lots of opportunity all across the company. But we had an update this week from our vegetation management team and our sourcing team. We've come a long way using our Lean performance playbook to standardize and improve many aspects of our business, but especially our vegetation management, which is a very important part of our safety measures here at the company.

So we added visibility to the training and the safety standards for all of our contractors. We did a thorough review and removed outdated quality standards. We standardized unit rate contracts versus time and equipment contracts. We reduced our contractor count from 24 to 14, regionalizing them to better serve our hometowns.

That -- this is going to be resulting for 2023 in a better customer experience, less repeat visits. I've talked about this on previous calls where we visit a customer's home multiple times to do our vegetation management work. So in this case, with all the improvements the team has made, we'll make less repeat visits to a customer's home at a lower cost.

This is our performance playbook in action. The bottom line savings is going to be over \$300 million just from standardizing smarter contracting and utilizing our performance playbook. That's the play we're running at PG&E. That's what's happening here. We're going to find ways to do better work for customers at a lower cost. So we are very zeroed in on making sure that we have an affordable service.

David Keith Arcaro
Morgan Stanley, Research Division

Great. That's helpful color. And just related to the Pacific Generation sales. I was just wondering, are you able to give if that were to not be approved or if it gets delayed, just how much equity might be needed into the plan in that alternative case?

Christopher A. Foster
Executive VP & CFO

Sure. I think, in short, you can imagine this is exactly what we were mentioning earlier is that we're constantly looking at internal cash management levers, regulatory levers to manage any variability for you. So I think that it wouldn't necessarily change anything. I think that's our point, is that we're putting ourselves in a position with a more conservative plan to be sure that we can have the most efficient financing possible. And that's why this filing makes good sense.

David Keith Arcaro
Morgan Stanley, Research Division

Got it. Okay. Great. And then just last one. I was wondering, any updates on just undergrounding in terms of cost forecast or technology improvements, Patti, just what you're seeing on the undergrounding opportunity and how that's evolving after we've gotten the legislation now in place?

Patricia Kessler Poppe
CEO & Director

Yes. So we're in the process of building out our tender plan as a result of that legislation. And kudos to our legislators for making a big decision and supporting that undergrounding -- drafting and supporting that undergrounding legislation. That 10-year plan allows for better savings for customers. Fundamentally, we can have better work plan -- workforce planning. We can have better equipment. We can have better long-term contracts. And we know that all of that results in savings for customers.

We're seeing good progress this year. We've completed 165 miles of civil construction already. We'll do the final buttoning up of that work and expect to meet our target of 175 miles this year, which -- you'll remember, we did about 72 miles last year. So this is a huge improvement year-over-year.

And many of those miles are coming in closer to the \$2.5 million a mile than the original \$3.7 million a mile. So we're really seeing progress. We continue to improve, and we're looking forward to being able to publicly file that 10-year plan in 2023, so we can share what the whole outlook looks like, including the cost forecast that go with it.

Operator

Our next question comes from Ryan Levine from Citigroup.

Ryan Michael Levine
Citigroup Inc., Research Division

I appreciate the updates around your equity issuance plan. Curious how you're currently thinking about your dividend policy, recognizing you need Board approval. But in the context of ability to return capital to shareholders, how are you thinking about that given the pending transaction or potential transaction won't close until after a dividend decision would be made?

Christopher A. Foster
Executive VP & CFO

Ryan, thanks for the question. Again, I think we'll have maybe some initial insight. Remember, with regard to at least the current calendar, we've provided to the commission and our request, which would have a midyear initial view really, of the transaction on Alpine. So it could go into our thinking a bit.

But let me just take a step back. Remember that our eligibility for reinstating the dividend is when we hit \$6.2 billion in non-GAAP core earnings. And so we are well on that path at this stage and would be at the point of eligibility midyear next year.

I think what you have to emphasize, though, as Patti said, there's an awful lot of need for customers at our system. So you should assume that it's actually a very small dividend initially -- at this point, and then we would feather it in over time. Obviously, going to spend time on that going into next year with our Board and be able to come forward with more detail when we can.

Operator

We have no further questions. I would like to turn the call back over to Patti Poppe for closing remarks.

Patricia Kessler Poppe
CEO & Director

Thank you, Julianne. Thank you, everyone, for joining us. We are looking forward to seeing you at EEI in just a couple of weeks. And we just hope that you are safe out there, and we look forward to seeing you in November.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.