



***PG&E Corporation***<sup>®</sup>

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## **Evercore ISI Utility Conference**

January 9 -10, 2020



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# Resolution of Key Issues

Path to expeditious Chapter 11 exit through the fair settlement of wildfire claims and pending regulatory proceedings, progress with legislative initiatives, and establishment of a multi-year investment and rate roadmap.

## Third-Party Claims



### ✓ Settlements reached with key constituents

Settlements totaling \$25.5b with:

- Tort Claimants Committee and Representatives of Individual Fire Victim Claimants: \$13.5b
- Subrogation Claimants: \$11b
- Public Entities: \$1b

### ✓ Settlement agreements resolve claims estimation and Tubbs Fire trial

Provides for an expedient confirmation and exit from Chapter 11 within the AB1054 deadline

## Ratemaking



### ✓ 2020 General Rate Case (GRC) Settlement

Proposes revenue requirements through 2022:

- Includes two-way balancing account recovery for wildfire mitigation, vegetation management, and insurance costs

### ✓ 2019 Gas Transmission and Storage (GT&S) Final Decision

- Adopted revenue requirements through 2022

### ✓ 2020 Cost of Capital Final Decision

Adopted capital structure through 2022:

- Maintains 10.25% return on equity (ROE)
- Maintains 52% equity structure, as requested
- Reduces preferred stock from 1.0% to 0.5%, as requested
- Approves cost of long-term debt of 5.16%

## Regulatory & Legislative



### ✓ Wildfire OII Settlement <sup>(1)</sup>

Agreed not to seek recovery for \$1.6b of wildfire related expenses, including:

- ~\$700m of inspections and repairs expense
- ~\$500m of Catastrophic Expense Memorandum Account (CEMA) expense
- ~\$400m in CEMA capital

### ✓ Locate & Mark OII Settlement <sup>(1)</sup>

Agreed to remedies of \$65m, including:

- \$60m of system enhancements
- \$5m fine to the California General Fund

### ✓ Ex Parte OII Settlement – Final

Final Decisions in both Phases 1 and 2:

- Phase 1 remedies of \$97.5m
- Phase 2 remedies of \$10.0m

### ✓ AB 1054 Wildfire Fund

Creation of ~\$21b fund subject to:

- \$4.8b initial contribution and \$193m annual contribution
- ~\$2.3b liability cap <sup>(2)</sup>
- \$3.2b of capital excluded from equity return
- Full participation in 2020 <sup>(3)</sup>

(1) Subject to CPUC and Bankruptcy Court approvals.

(2) The liability cap is calculated as 20% of equity transmission and distribution rate base and applies over a three-year measurement period.

(3) Assuming Plan of Reorganization (POR) is confirmed on or before June 30, 2020.



# Upcoming Milestones

		Status as of 12/31/19	2020 Expected Milestones	
			Q1	Q2
<b>Chapter 11</b> 	Wildfire, Trade Payables, and Other Claims	RSAs: TCC, Subros, Public Entities Pending: FEMA, CalOES, Trade Payables	Claimants provide terms for Fire Victims Trust on 1/20	Hearing on TCC objection to FEMA claims on 2/11
	Fixed-income	Ruling approving use of Federal Judgment (FJR) Rate Pending ruling on make-whole	Hearing on make-whole on 1/14	
	Plan of Reorganization	December POR filed with court		Deadline for disclosure statement on 3/30
<b>Rate-making</b> 	2019 GT&S	Final Decision		
	Cost of Capital	Final Decision		
	2020 GRC	Settlement pending CPUC decision	Decision Expected <sup>(3)</sup>	
	T019	Final Decision <sup>(2)</sup>		
	T018 / T020	Pending FERC decisions <sup>(2)</sup>	Pending FERC Decisions	
<b>Regulatory Matters</b> 	Ex Parte OII	Settlement approved		
	Wildfire OII	Settlement pending CPUC decision	Decision Expected <sup>(3)</sup>	
	Locate & Mark OII	Settlement pending CPUC decision	Decision Expected <sup>(3)</sup>	
	Plan of Reorganization OII	In process	Testimony and Evidentiary Hearings	Proposed Decision Expected in April
	Safety Culture OII	In process	Pending CPUC Decision	
<b>Legislation</b> 	Assembly Bill 1054 (AB 1054)	Law in effect		

(1) The rate case timelines outlined above reflect expected filing and decision time frames; actual timing may differ.

(2) T018 pending FERC decision and T020 is currently in settlement negotiations. The approved T019 settlement will be 98.5% of T018 rate case outcome.

(3) Subject to CPUC approval.



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## **2019 THIRD QUARTER EARNINGS**

November 7, 2019

# Forward Looking Statements



This presentation contains statements regarding management's expectations and objectives for future periods as well as forecasts and estimates regarding potential liability in connection with the 2018 Camp fire and 2017 Northern California wildfires, the AB 1054 Wildfire Fund, the 2019 Wildfire Mitigation Plan, 2019 assumptions, 2019 IIC guidance, 2019-2023 capital expenditures, 2019-2023 weighted average ratebase, capital expenditures and ratebase assumptions, and general earnings sensitivities for 2019. It also includes assumptions regarding capital expenditures, authorized rate base, key factors affecting earnings from operations and pending items with potential earnings from operations impact. These statements and other statements that are not purely historical constitute forward-looking statements that are necessarily subject to various risks and uncertainties. Actual results may differ materially from those described in forward-looking statements. PG&E Corporation and Pacific Gas and Electric Company (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 risks and uncertainties associated with PG&E Corporation's and the Utility's Chapter 11 cases, including, but not limited to, the ability to develop, consummate, and implement a plan of reorganization with respect to PG&E Corporation and the Utility, which could be adversely affected by the termination of the Exclusive Periods as to the TCC and the Ad Hoc Noteholder Committee, the ability to obtain applicable bankruptcy court, creditor or regulatory approvals, the effect of any alternative proposals, views or objections related to the plan of reorganization, potential complexities that may arise in connection with concurrent proceedings involving the bankruptcy court, the U.S. District Court, the California state court, the CPUC, and the FERC, increased costs related to the Chapter 11 cases, the ability to obtain sufficient financing sources for ongoing and future operations, the ability to satisfy the conditions precedent to financing under the debt and equity commitments to finance the Proposed Plan and the risk that such agreements may be terminated, disruptions to PG&E Corporation's and the Utility's business and operations and the potential impact on regulatory compliance;
- the impact of the 2018 Camp fire, 2017 Northern California wildfires, and 2015 Butte fire, including whether the Utility will be able to timely recover costs incurred in connection therewith in excess of the Utility's currently authorized revenue requirements; the timing and outcome of the remaining wildfire investigations and the extent to which the Utility will have liabilities associated with these fires; the timing and amount of insurance recoveries; the timing and outcome of the 2017 Northern California Wildfires OII and potential liabilities in connection with fines or penalties that could be imposed on the Utility if the CPUC or any other law enforcement agency were to bring an enforcement action, including a criminal proceeding, and determined that the Utility failed to comply with applicable laws and regulations;
- whether the Utility can obtain wildfire insurance at a reasonable cost in the future, or at all, and whether insurance coverage is adequate for future losses or claims;
- the risks and uncertainties associated with the 2019 Kincadee fire;
- whether the Utility will be able to obtain full recovery of its significantly increased insurance premiums, and the timing of any such recovery;
- the timing and outcomes of the 2019 GT&S rate case, 2020 GRC, FERC TO18, TO19, and TO20 rate cases, 2018 CEMA, future applications for WEMA, FHPMA and FRMMA, future cost of capital proceeding, and other ratemaking and regulatory proceedings;
- the timing and outcome of future regulatory and legislative developments in connection with the potential financing of the Utility's wildfire-related liabilities, SB 901, future wildfire reforms, inverse condemnation reform, and other wildfire mitigation measures or other reforms targeted at the Utility;
- the occurrence, timing and extent of damages in connection with future wildfires, the associated financial impact on the Utility and the potential for AB 1054 to mitigate such impact (if at all);
- the outcome of the Utility's CWSP to help reduce wildfire threats and improve safety as a result of climate-driven wildfires and extreme weather, including the Utility's ability to comply with the targets and metrics set forth in the 2019 Wildfire Mitigation Plan; the cost of the program, including any costs in connection with PSPS events; and the timing and outcome of any proceeding to recover such cost through rates;
- the impact of wildfires, droughts, floods, or other weather-related conditions or events, climate change, natural disasters, acts of terrorism, war, vandalism (including cyber-attacks), downed power lines, and other events, that can cause unplanned outages, reduce generating output, disrupt the Utility's service to customers, or damage or disrupt the facilities, operations, or information technology and systems owned by the Utility, its customers, or third parties on which the Utility relies, and the reparation and other costs that the Utility may incur in connection with such conditions or events; the impact of the adequacy of the Utility's emergency preparedness; whether the Utility incurs liability to third parties for property damage or personal injury caused by such events; whether the Utility is subject to civil, criminal, or regulatory penalties in connection with such events; and whether the Utility's insurance coverage is available for these types of claims and sufficient to cover the Utility's liability;
- the timing and outcomes of phase two of the ex parte order instituting investigation (OII), of the safety culture OII, and the locate and mark OII;
- the Utility's ability to efficiently 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 outcome of the probation and the monitorship and other investigations that have been or may be commenced in the future, and the ultimate amount of fines, penalties, and remedial and other costs that the Utility may incur as a result;
- the ability of PG&E Corporation and the Utility to continue as going concerns (as to which management and their auditors have expressed substantial doubt); 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, 2018, joint quarterly reports on Form 10-Q for the quarters ended March 31, 2019, June 30, 2019, and September 30, 2019 and other reports filed with the 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).

*Unless otherwise indicated, the statements in this presentation are made as of November 7, 2019. PG&E Corporation and the Utility undertake no obligation to update information contained herein. This presentation, including Appendices, and the accompanying press release were attached to PG&E Corporation's Current Report on Form 8-K that was furnished to the SEC on November 7, 2019 and is also available on PG&E Corporation's website at [www.pgecorp.com](http://www.pgecorp.com).*

## Wildfire Fund Contribution Treatment

- Contribution amounts expected to be amortized based on an assumed ~10-year life<sup>(3)</sup>
- Tax treatment pending private letter ruling from the IRS

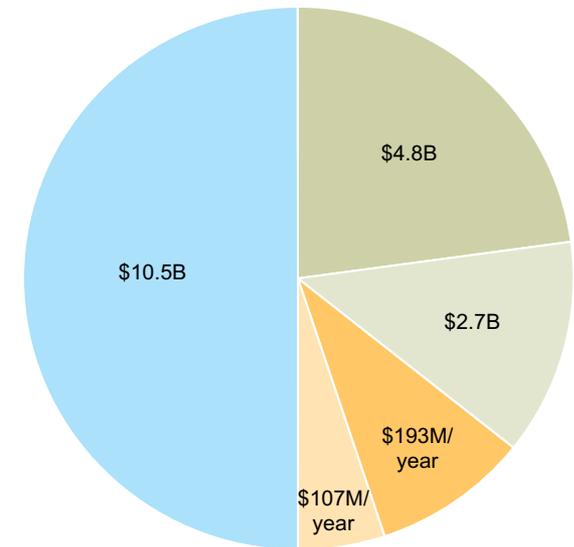
## PG&E Pre-Emergence Wildfire Liabilities

- For fires occurring after July 12, 2019 and prior to exiting Chapter 11
- Claims in excess of \$1B are eligible for recovery and the fund will pay no more than 40% of allowed claims
- Balance of claims addressed through Chapter 11 process
- May seek payment for claims after funding initial contribution

## PG&E Investments and Liability Cap

- \$3.2B of wildfire investments excluded from earning a ROE
- \$2.3B liability cap (20% of Equity T&D Rate base for 2019)

## \$21B Wildfire Fund



- Initial Contribution: PG&E
- Initial Contribution: Other IOUs
- Annual Contribution: PG&E<sup>(2)</sup>
- Annual Contribution: Other IOUs<sup>(2)</sup>
- Non-bypassable Charge

1. Participation in the AB 1054 Wildfire Fund is subject to numerous terms and conditions. As a result of post-petition wildfires, including the 2019 Kincade Fire, PG&E's ability to satisfy such conditions could be impaired.

2. Assumes annual IOU contributions will be made for a 10-year period.

3. The useful life of the Wildfire Fund is estimated based on various assumptions, including the number and severity of catastrophic fires within the participating electric utilities' service territories during the term of the Wildfire Fund, historical fire-loss data, the estimated cost of wildfires caused by other electric utilities, the amount at which wildfire claims will be settled, the likely adjudication of the CPUC in cases of electric utility-caused wildfires, the level of future insurance coverage held by the electric utilities, and the future transmission and distribution equity rate base growth of other electric utilities. Significant changes in any of these estimates could materially impact the amortization period.

# Wildfire Mitigation Highlights



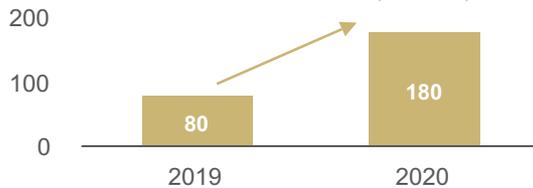
- 6 PSPS Events
- 1.0M+ Customer Impacts <sup>(1)</sup>
- 300+ Damages and Hazards

## Data-Driven Decision Making

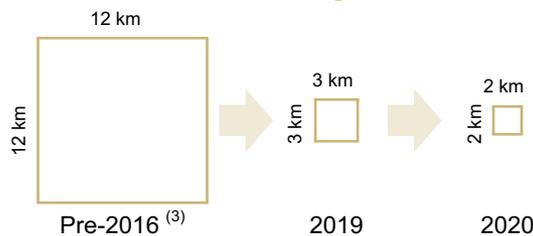
Enhanced data gathering and analytics provides for:

- Highlighting areas of greatest fire spread risk and asset health
- Greater precision for refining outage impacts
- Prioritizing enhanced vegetation management and system hardening

### Weather and Fuel Data (billions)



### Fire Risk Forecasting Precision

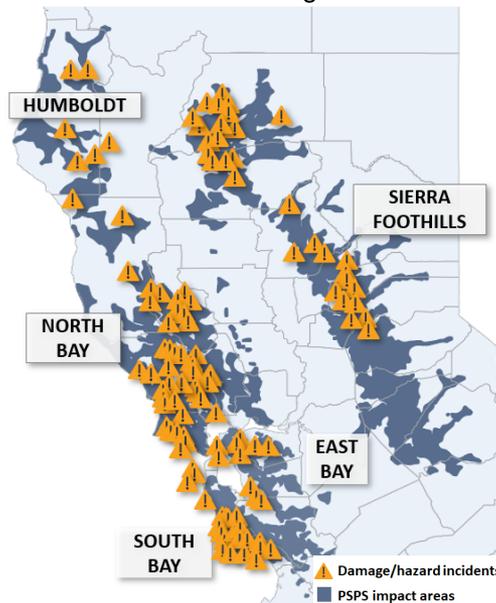


## PSPS Restoration and Repair

### 2019 PSPS Key Facts

Line Miles Patrolled	56,800 miles
Outage Duration (avg)	44 hours
Peak Wind Gusts	50 to 100+ mph

### Oct 26 - Nov 1 PSPS Event <sup>(2)</sup> 150+ instances of damages and hazards



## Recent Enhancements

### Minimize Impact on Customers

- **System Sectionalization:** Up to 30% reduction in impacted customers
- **Power Continuity:** Four temporary microgrids to support impacted communities
- **Temporary Generation:** Provided 80 temporary generation deployments peaking at ~65MW for the October 26-29 PSPS event

### Minimize Risk of Catastrophic Fires

- **Satellite Fire Detection:** State-of-the-art satellite fire detection and alert tool providing 1-5 min rapid insights
- **Fire Spread Model:** Leverages weather forecast models and satellite GIS data to run millions of fire spread simulations daily
- **Alternative Technologies:** Rapid Earth Fault Current Limiter Pilot, Enhanced Wires Down Detection Project, and other emerging technologies

1. Number of customer impacts reflects unique customers across the 2019 PSPS events.  
 2. PSPS Reports to the CPUC can be found at [www.pge.com/PSPS](http://www.pge.com/PSPS).  
 3. PG&E's PSPS Program began in 2018. The pre-2016 modeling resolution refers to PG&E's previous meteorological modeling systems.

# 2019 Wildfire Mitigation Plan Progress <sup>(1) (2)</sup>



	2019 Forecast Spend	Year-To-Date Spend
Expense	~\$1.4B	~\$1.1B
Capital	~\$1.1B <sup>(3)</sup>	~\$0.6B

## Completed Programs

### Enhanced Situational Awareness

Weather Stations (# of Stations)



High-Definition Cameras (# of Cameras)



### Enhanced Operational Practices

Expanded Automation (# of Reclosers)



### Enhanced Inspections

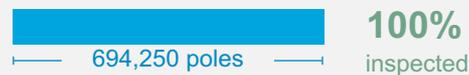
Transmission – Visual (# of Structures)



Transmission – Aerial (# of Structures)



Distribution (# of Poles)



Substation (# of Sites)



## Ongoing Programs

### System Hardening & Resiliency

Stronger and more resilient poles and covered power lines (# of Line Miles)



### Vegetation Management

Enhanced vegetation management (# of Miles)



YTD Progress Remaining

- Reflects 2019 Wildfire Mitigation Plan progress in Tier 2 and Tier 3 high fire threat districts as of October 5, 2019.
- Wildfire mitigation cost recovery related to transmission are contingent on FERC approval, and all other costs are contingent on CPUC approval. 2019 spend reflects the mid-point of proposed range of costs as outlined in the February 6, 2019 Wildfire Mitigation Plan submitted to the CPUC with the exception of the Enhanced Inspection program, which has mid-point forecasts of ~\$800M (OpEx) and ~\$700M (CapEx), and the Expanded PSPS and Enhanced Vegetation Management programs, which have updated mid-point forecasts of ~\$70M (OpEx) and ~\$450M (OpEx), respectively.
- Pursuant to AB 1054, PG&E Corporation and the Utility will not earn an equity return on approximately \$3.2B of fire risk mitigation capital expenditures included in the Utility's approved wildfire mitigation plans.

# Q3 2019 Earnings Results



(in millions, except per share amounts)	Q3		YTD 2019	
	Earnings	EPS	Earnings	EPS
<b>PG&amp;E Corporation's Loss on a GAAP basis</b>	<b>\$ (1,619)</b>	<b>\$ (3.06)</b>	<b>\$ (4,039)</b>	<b>\$ (7.65)</b>
Items Impacting Comparability:				
2017 Northern California wildfire-related costs	1,465	2.77	2,935	5.56
2018 Camp fire-related costs	408	0.77	1,979	3.75
2019 GT&S capital disallowance	193	0.37	193	0.37
Electric asset inspection costs	88	0.17	437	0.83
Chapter 11-related costs	55	0.10	210	0.40
<b>PG&amp;E Corporation's Non-GAAP Earnings from Operations</b>	<b>\$ 590</b>	<b>\$ 1.11</b>	<b>\$ 1,715</b>	<b>\$ 3.25</b>

Items Impacting Comparability (in millions, pre-tax)	Q3	YTD 2019
2017 Northern California wildfire-related costs	\$ 2,034	\$ 4,075
2018 Camp fire-related costs	567	2,748
2019 GT&S capital disallowance	237	237
Electric asset inspection costs	121	606
Chapter 11-related costs	73	256

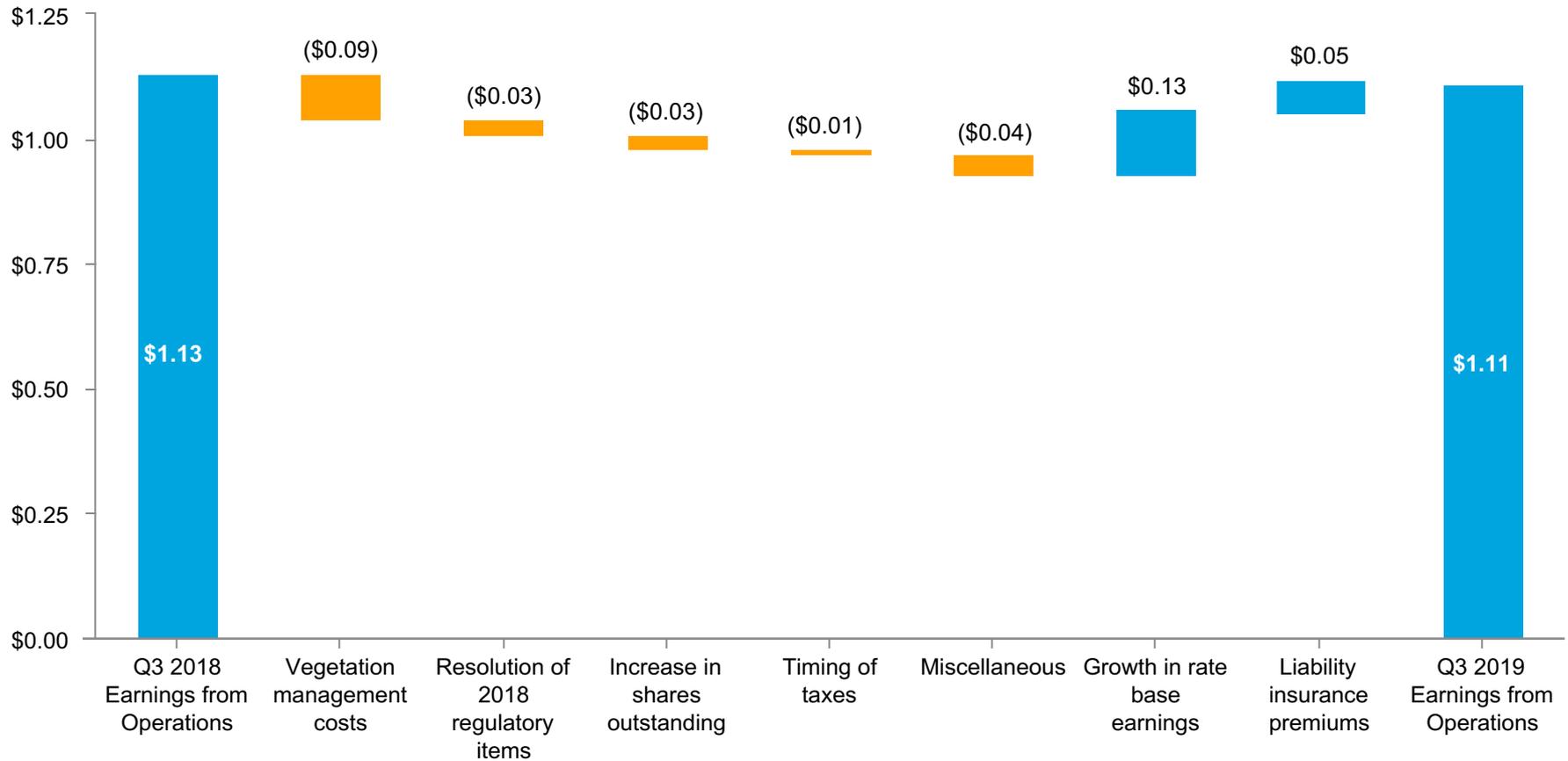
Note: Amounts may not sum due to rounding.

Non-GAAP earnings from Operations is not calculated in accordance with GAAP and excludes items impacting comparability. See Appendix 1, Exhibit A for a reconciliation of Earnings per Share ("EPS") on a GAAP basis to Non-GAAP Earnings per Share from Operations and Exhibit G for the use of non-GAAP financial measures.

# Q3 2019 Quarter over Quarter Comparison



## Non-GAAP Earnings per Share from Operations



Non-GAAP earnings from Operations is not calculated in accordance with GAAP and excludes items impacting comparability. See Appendix 1, Exhibit A for a reconciliation of Earnings per Share ("EPS") on a GAAP basis to Non-GAAP Earnings per Share from Operations and Exhibit G for the use of non-GAAP financial measures.

# 2019 Assumptions



## Capital Expenditures

(\$ millions)

	<u>2019</u>
General Rate Case	\$4,700
Gas Transmission and Storage	800
Transmission Owner	<u>1,700</u>
<b>Total Cap Ex</b>	<b>~\$7.2 billion</b>

## Authorized Ratebase\* (weighted average)

(\$ billions)

**Equity Ratio:** 52% <sup>(1)</sup>

**Return on Equity:** 10.25%

	<u>2019</u>
General Rate Case	\$27.7
Gas Transmission and Storage <sup>(2)</sup>	4.5
Transmission Owner	<u>8.1</u>
<b>Total Ratebase</b>	<b>\$40.3 billion</b>

\* Base earnings plan assumes CPUC-currently authorized return on equity across enterprise

## Key Factors Affecting Earnings from Operations

- Higher financing costs including DIP and pre-petition trade payables
- Incremental wildfire risk mitigation costs
- Insurance premiums, net of regulatory cost recovery
- + Incentive revenues, efficiencies and other benefits

**2019 Expected Earnings below Authorized of ~200M (after-tax)<sup>(3)</sup>**

If interest on pre-petition financing debt and trade payables is not recorded in 2019

**Then: 2019 Expected Earnings below Authorized of ~50M (after-tax)<sup>(4)</sup>**

Changes from prior quarter noted in blue

Note 1: Due to the net changes recorded in connection with the 2018 Camp fire and the 2017 Northern California wildfires as of December 31, 2018, the Utility submitted to the CPUC an application for a waiver of the capital structure condition on February 28, 2019. The waiver is subject to CPUC approval.

Note 2: GT&S authorized ratebase updated to reflect the CPUC final decision in the 2019 GT&S rate case.

Note 3: Assumes pre-petition interest expense is recorded at the contractual rate in 2019, net of AFUDC.

Note 4: Reflects the Utility not meeting the requirement to record pre-petition interest expense, net of AFUDC, in 2019.

See the Forward Looking Statements for factors that could cause actual results to differ materially from the guidance presented and underlying assumptions.

# 2019 Items Impacting Comparability Guidance



(\$ millions, pre-tax)		
2017 Northern California wildfire-related costs <sup>(1)</sup>	\$ ~	4,110
2018 Camp fire-related costs <sup>(2)</sup>	~	2,780
Electric asset inspection costs <sup>(3)</sup>		700 - 900
Chapter 11-related costs <sup>(4)</sup>	~	550 - 600
2019 GT&S capital disallowance <sup>(5)</sup>	~	240
PSPS customer bill credit <sup>(6)</sup>	~	90
<b>Estimated 2019 Items Impacting Comparability Guidance Total</b>	<b>\$ ~</b>	<b>8,470 - 8,720</b>

- (1) 2017 Northern California wildfire-related costs reflect estimated third-party claims, legal, and other costs associated with the 2017 Northern California wildfires.
- (2) 2018 Camp fire-related costs reflect estimated third-party claims, Utility clean-up and repair, legal, and other costs associated with the 2018 Camp fire.
- (3) Electric asset inspection costs represent estimated incremental costs to complete enhanced and accelerated inspections of electric transmission and distribution assets and certain resulting repairs that are not probable of recovery.
- (4) Chapter 11-related costs include estimated external legal, financing and other fees, net of interest income, directly associated with PG&E Corporation's and the Utility's Chapter 11 cases. [Exit financing is subject to bankruptcy court approval.](#)
- (5) [2019 GT&S capital disallowance reflects pipeline-replacement costs disallowed in the 2019 GT&S rate case as a result of spending above amounts authorized in the 2015-2018 GT&S rate case period.](#)
- (6) [PSPS customer bill credit represents a one-time bill credit for customers impacted by the October 9, 2019 Public Safety Power Shutoff \(PSPS\) event.](#)

Changes from prior quarter noted in [blue](#)

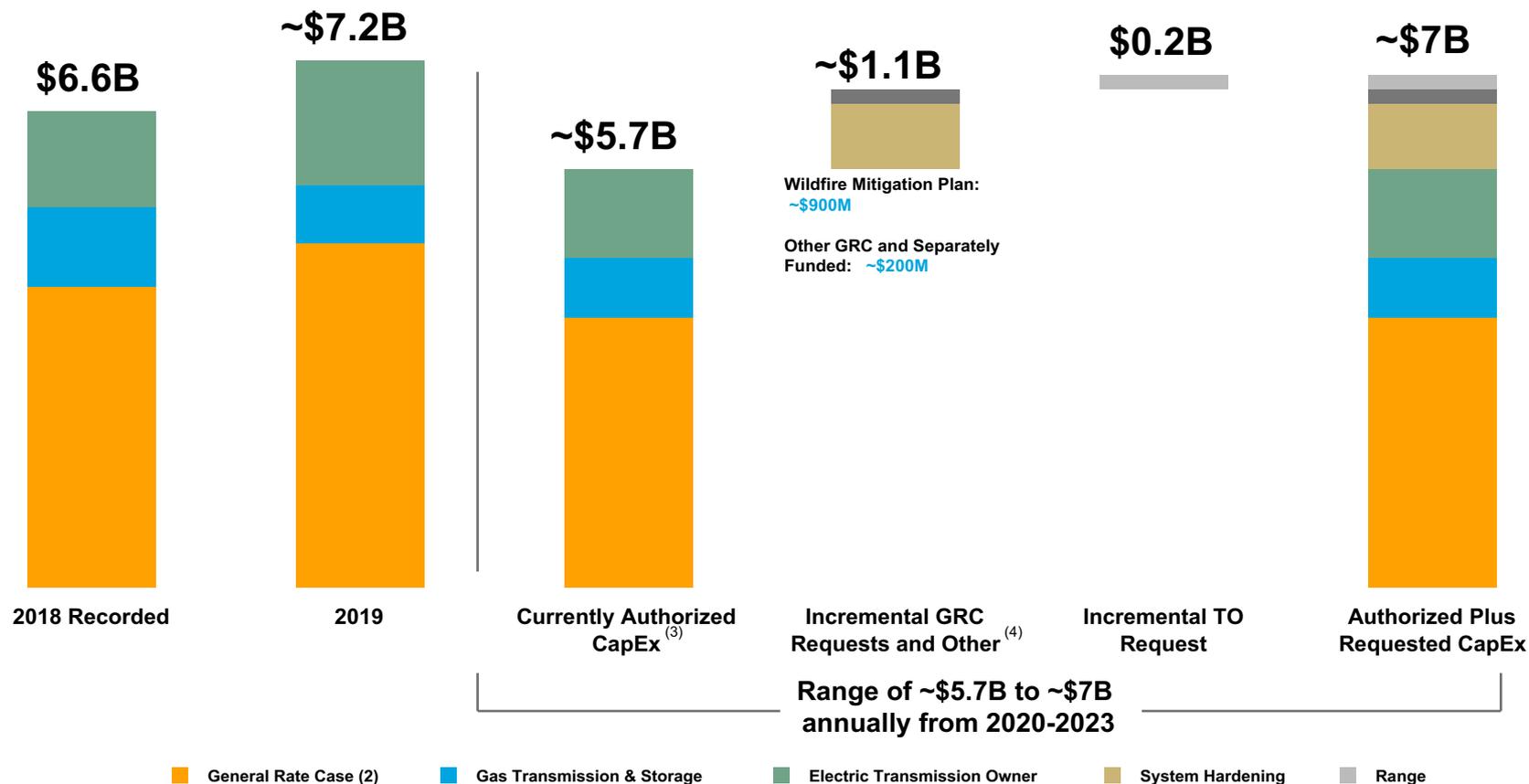
See [Appendix 1, Exhibit E](#) for PG&E Corporation's 2019 Items Impacting Comparability Guidance and [Exhibit G](#) for Use of Non-GAAP Financial Measures.

See the [Forward Looking Statements](#) for factors that could cause actual results to differ materially from the guidance presented and underlying assumptions.

# Capital Expenditures Forecast



## 2018-2023 Capital Expenditures <sup>(1)</sup>



Changes from prior quarter noted in blue

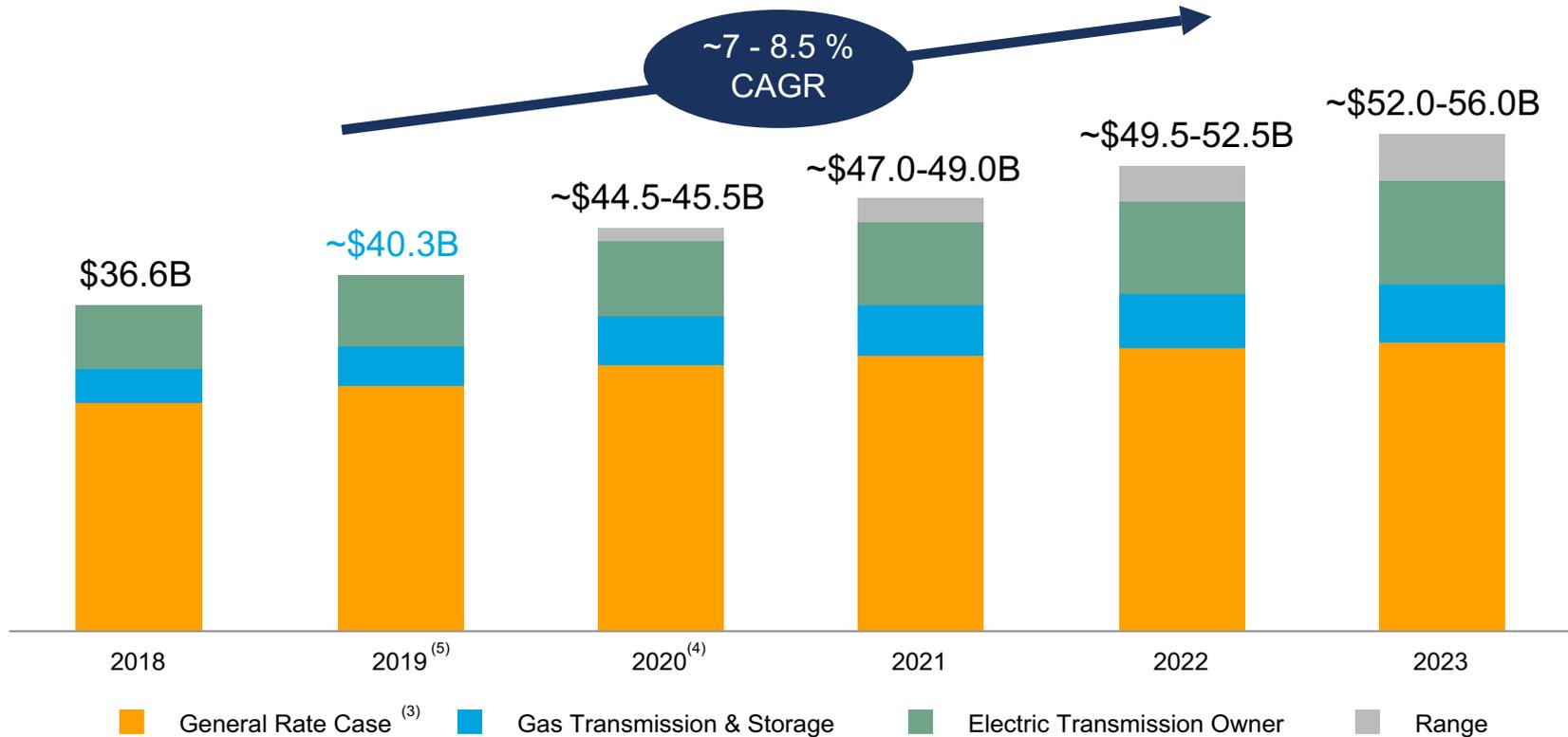
1. PG&E is in the process of preparing a five-year financial forecast, including projected capital expenditure assumptions, in connection with the Chapter 11 proceedings. While PG&E is currently evaluating capital expenditure assumptions, amounts may materially increase from the current forecast.
2. General Rate Case spend includes transportation electrification.
3. PG&E is planning to spend, primarily through its wildfire mitigation plan, at levels that are higher than currently authorized in its approved rate cases.
4. Reflects updates to capital spend consistent with the Joint Comparison Exhibit in the 2020 GRC that PG&E filed on November 1, 2019.

See the Forward Looking Statements for factors that could cause actual results to differ materially from the guidance presented and underlying assumptions.

# Expected Ratebase Growth



## 2018-2023 Weighted Average Ratebase <sup>(1) (2)</sup>



Changes from prior quarter noted in blue

1. Weighted average ratebase reflects the estimated impacts from the Tax Cuts and Jobs Act and the \$240M disallowance by the CPUC in its final decision for the 2019 GT&S rate case.
2. PG&E is in the process of preparing a five-year financial forecast, including projected capital expenditure assumptions, in connection with the Chapter 11 proceedings. While PG&E is currently evaluating capital expenditure assumptions, amounts may materially increase from the current forecast. Ratebase does not reflect the reduction of \$3.2B of fire risk mitigation excluded from earning a ROE, pursuant to AB 1054.
3. General Rate Case spend includes transportation electrification.
4. Includes \$400M for 2011-2014 spend subject to audit added in 2020.
5. Includes ~\$600M related to enhanced inspections and restoration work in 2019 that have not been authorized by the CPUC or FERC. The Utility is not currently earning a return on these amounts.

See the Forward Looking Statements for factors that could cause actual results to differ materially from the guidance presented and underlying assumptions.

## Base Case Assumptions



## Potential Future Updates

- 2020 and 2023 GRC rate cases
- 2022 Gas Transmission & Storage rate case
- 2018, 2019, 2020 and future Transmission Owner rate cases
- Wildfire mitigation investments
- Future transportation electrification
- Future storage opportunities
- Plan of Reorganization

(1) Represents Wildfire Mitigation Plan system hardening at proposed spending levels.