



PG&E Corporation

California Legislative Update and FAQs

Delivering For Customers AND Investors

September 15, 2025





California Legislature Takes Further Action On Wildfire Risk...



Decisive step forward following January 2025 fires and **building on AB 1054 foundation**



Creates **new Wildfire Fund Continuation Account** providing **\$18B** for future wildfires¹



Retains key fund benefits: **rate smoothing**, **liquidity** for victims, and **disallowance cap**



Gives utilities **new Right of First Refusal** over sales of insurance subrogation rights



Allows **early securitization option** for **2025 fires** preceding effective date of SB 254



Sets stage and parameters for **wide-ranging wildfire policy reform** in 2026 session

Wildfire Fund Continuation Account:

New Features



Flexible

Utility funding spread over time rather than upfront



Improved

Disallowance cap now based on year of ignition



Principled

Utility funding counts towards future disallowance



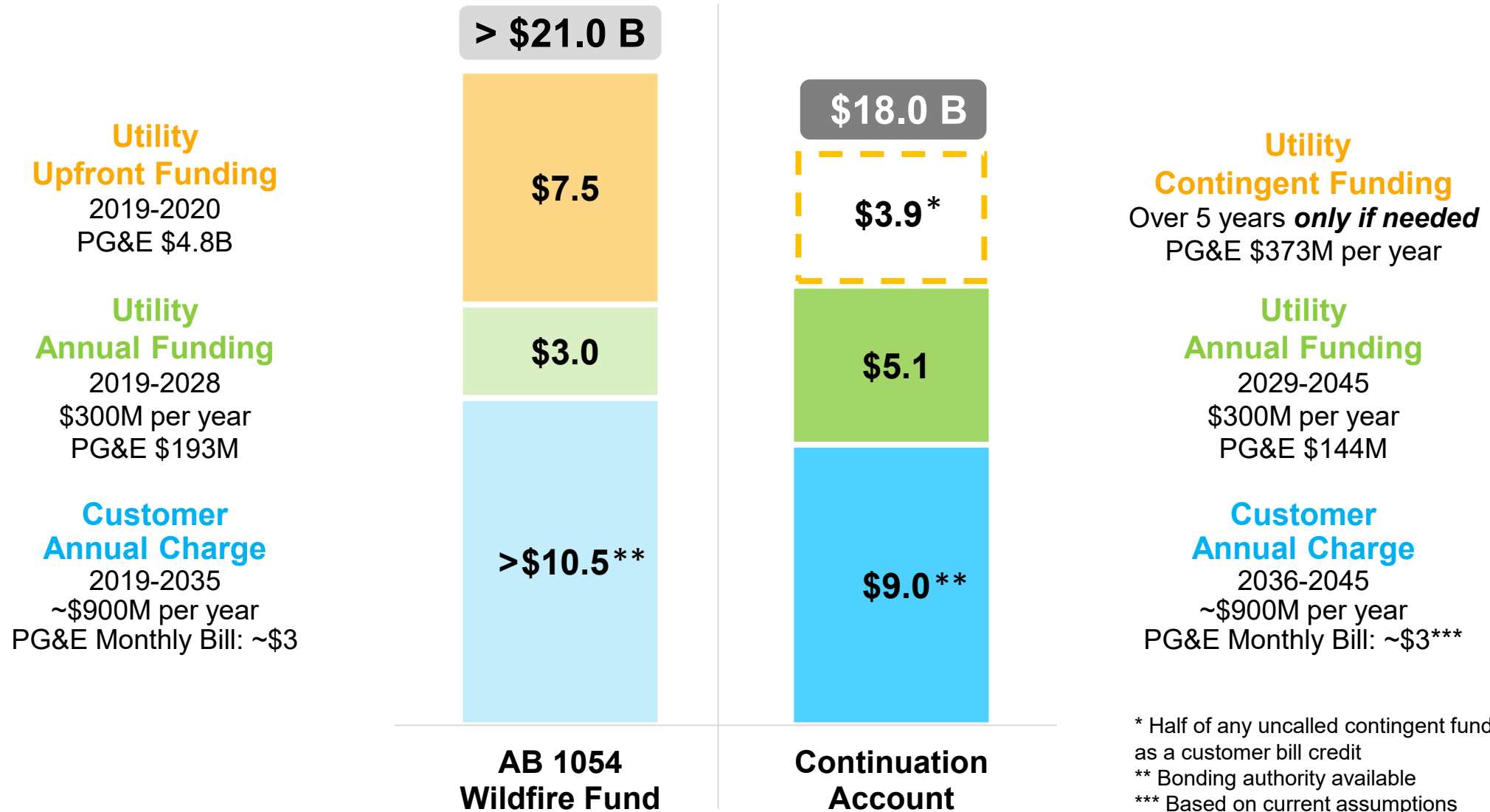
Rebalanced

PG&E share lowered by 25% to 47.85% (from 64%)

* The Governor has until October 13, 2025 to act. If signed, the utilities have 15 days from SB 254's effective date to elect to participate in the Continuation Account.



Wildfire Fund Continuation Account...



...New Flexible Funding Covering Future Wildfires

Physical Risk Reduction Drives Financial Protections

1

Physical Risk Mitigations

2

Approved Wildfire Mitigation Plan (WMP)

3

Wildfire Safety Certification

Protections Offered Under AB 1054 & SB 254

Cost Recovery *Unchanged*

Improved prudence standard¹

- Utility conduct presumed prudent with annual safety certificate in place
- Enhanced cost recovery standard distinct from Fund
- Customer-funded self-insurance up to \$1B began in 2023

Liquidity *Bolstered*

Available when needed

- Liquidity available as soon as claims paid exceed \$1B²
- SB 254 establishes Continuation Account for future fires
- Securitization can be authorized for 2025 fires prior to SB 254³
- Utility Right of First Refusal over sales of subrogation rights

Reimbursement *Improved*

Disallowance cap retained

- If prudent: Fund reimbursement not required
- If imprudent: Utility reimburses Fund; SB 254 contributions count against disallowance
- Disallowance cap (20% of electric T&D equity rate base as of year of ignition) reduced for reimbursements for other fires within 3 years⁴



Planning For Wide-Ranging Wildfire Policy Reform...

The report shall include specific recommendations, including, but not limited to, on all of the following:

Insurance and Liability Reform

- **Accessibility and affordability of property insurance**; evaluation of **alternative structures to socialize risk** of damage from catastrophes
- **Minimum insurance requirements** and ensuring **insurance rates account for home and community hardening**
- **Limitations on recovery in utility wildfire litigation** including **attorney's fees, economic and non-economic damages, insurance claims** and **aggregate per event limits**
- Options for a **streamlined, low-cost mechanism to provide full compensation** for wildfire damages

Physical Mitigation and Community Impacts

- Additional **mitigation measures** and **technology solutions to reduce the risk of ignition** while **limiting spread and damage**
- Financing, insurance, and other **mechanisms to expedite recovery and compensation** for communities impacted by natural catastrophes, including wildfires
- **State and local response**, home fire **risk reduction standards**, vegetation management and **community wildfire hardening requirements**

New Models and Customer Impact

- Options for **new models to complement or replace the fund**, such as **state-supported insurance**, or reinsurance; **a mutual wildfire insurance fund**; **a publicly supported safety net**; and **improvements to the fund to enhance its durability**
- Measures to **benefit ratepayers** through **reducing costs caused by fiscal uncertainty** while **holding utilities accountable for improving safety and reducing risk of catastrophic wildfires**



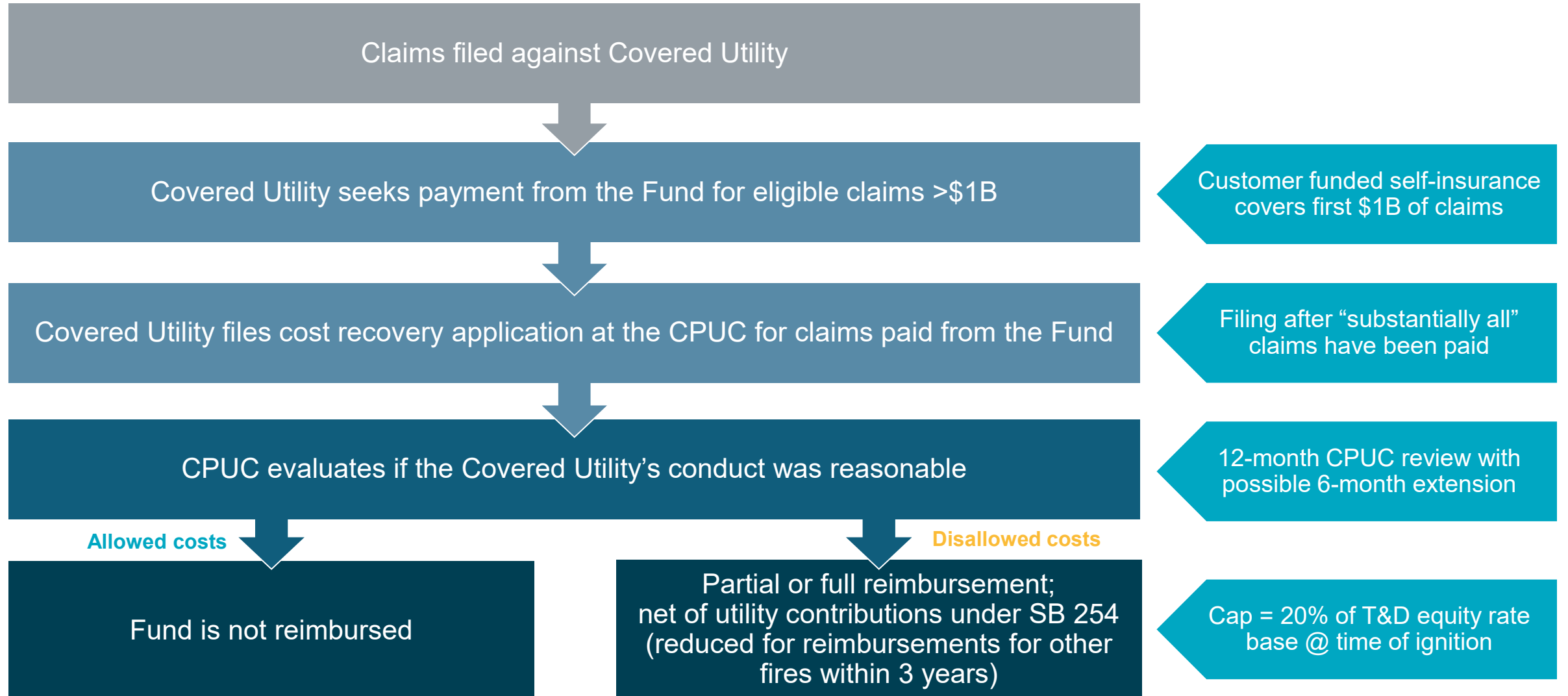
...evaluates and sets forth recommendations on **new models or approaches** that mitigate damage, accelerate recovery, and **responsibly and equitably allocate the burdens from natural catastrophes**...



...Administrator's Recommendations Due By April 1, 2026



Fund Mechanics Largely Unchanged...



...With Enhancements To Disallowance Framework



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Appendix 1

Frequently Asked Questions





FAQs: SB 254 Continuation Account



What will be the effective date of SB 254?

- The date the governor signs the bill

Which entities are eligible to participate in the Continuation Account?

- California's three large investor-owned utilities, Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E) ("participating utilities" or "utilities")
- Note that California's municipal utilities are not part of the Wildfire Fund or the Continuation Account (together "the Funds") and are not subject to oversight by OEIS

Could other entities elect to participate?

- No



What qualifies as a covered wildfire under the Continuation Account?

- The Continuation Account is only available for wildfires that ignite on or after the effective date of SB 254
- Dollars in the Continuation Account cannot be allocated to address liabilities from wildfires before this date (no rollover of liability from the original Wildfire Fund)

How is the \$18B Continuation Account established?

- If all three utilities elect to participate in the Continuation Account;
- If the administrator determines, not later than 12/31/2028, that either (1) absent additional annual contributions, the administrator would provide a plan for winding up the Wildfire Fund, or (2) the administrator receives a notification from a utility that it has a reasonable belief that it likely will have eligible claims from one or more covered wildfires; AND
- If the CPUC determines that the collection of a non-bypassable charge (NBC) from customers is “just and reasonable”



How is the \$18B Continuation Account funded?

- \$9B will come from a 10-year extension of the current non-bypassable customer charge (NBC); collection begins in 2036, when the existing NBC ends, and runs through 2045; AND
- \$9B will come from the three utilities as follows:
 - \$5.1B from 17-year extension of existing \$300M annual contributions (2029-2045)
 - 47.85% from PG&E (\$143.55M), 47.85% from SCE (\$143.55M), and 4.3% from SDG&E (\$12.90M)
 - Potential for additional \$3.9B contingent contribution (\$780M/year over 5 years)
 - 47.85% from PG&E (\$373.23M), 47.85% from SCE (\$373.23M), and 4.3% from SDG&E (\$33.54M)
- As with the Wildfire Fund, accounting charges associated with the Continuation Account are excluded from the utilities' authorized regulatory capital structure



How is the contingent contribution determined?

- If the administrator determines that additional contributions from the utilities are needed to enable the Continuation Account to fund the timely payment of eligible claims due to the likelihood of exhaustion of revenues in the account, including the proceeds from bonds issued to securitize the future NBCs, then:
 - Utilities must make the additional contributions within 120 days of the administrator's notification and on the anniversary of their first installment payment each year thereafter until 5 payments have been made
 - PG&E's portion would be \$373.23M each year for 5 years

What happens if the contingent contribution payments are not made in full before the administrator terminates the Continuation Account?

- The utilities shall provide 50% of the remaining unpaid contingent contribution as rate credits to their customers



Does SB 254 change the definition of an “eligible claim?”

- No change
- Claims for 3rd party damages resulting from covered wildfires exceeding \$1B, in the aggregate, in any calendar year; including, but not limited to, economic damages, fire suppression, emotional distress, and damages from resulting mud slides

What is the Right of First Refusal?

- Before entering into an agreement with a 3rd party entity, a property insurer must offer to settle its right of subrogation on the same terms and conditions as the proposed agreement, to the applicable utility

Under what circumstances would a utility be allowed to securitize eligible claims?

- Third-party claims deemed just and reasonable are eligible to be securitized (i.e., after CPUC prudency review)
- A special provision applies to any 2025 wildfire which ignited before the effective date of SB 254 such that a utility may file a securitization application with the CPUC for settled and finally adjudicated claims that cannot be paid by the Wildfire Fund; this filing may occur before filing an application for reasonableness review



How does the cap on utility disallowances work?

- The CPUC makes the prudence determination in an after-the-fact wildfire cost recovery proceeding
- The review occurs when directed by the administrator or when a participating utility has resolved all or substantially all claims associated with a covered wildfire
- If the CPUC finds the utility's conduct was not reasonable (i.e. imprudent), it can require the utility to reimburse the Funds; amount reduced for reimbursements for other fires within 3 years
- The reimbursement cap is defined as 20% of the utility's total electric transmission and distribution equity base, including its Federal Energy Regulatory Commission (FERC) assets, for the calendar year in which the ignition of the wildfire occurred
 - PG&E's cap, based on 2025 rate base, would be \$4.7B
- Reimbursement NOT required if the utility acted reasonably
- Above applies for wildfires both pre and post effective date of SB 254
- Additionally, for wildfires with ignition dates after the effective date of SB 254, the utility may reduce its refund obligation by the amount of contributions it has made to the Continuation Account



Does Phase 2 have a defined timeline and deliverable?

- Yes, the Wildfire Fund administrator must submit a report to the Legislature and Governor on or before April 1, 2026
- The report shall evaluate and set forth recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes

Who is leading Phase 2?

- The administrator, in consultation with the CPUC, the Office of Energy Infrastructure Safety, the Department of Insurance, the Office of Emergency Services, and the Department of Forestry and Fire Protection
- The administrator may also retain consultants, academic experts, and other professionals
- The administrator should solicit feedback from stakeholders, including, but not limited to, ratepayer advocates, insurance policyholder advocates, electrical corporations, insurance companies, and claimant attorneys

When does Governor Newsom's term end?

- January 4, 2027



How much capex must be securitized under SB 254?

- \$6B on fire risk mitigation capital expenditures
- Note that SB 254 reference to \$5B refers to previously completed capital securitization from AB 1054

What is the timeframe?

- Applies to capital expenditures approved by the CPUC on or after January 1, 2026

What is the allocation among the three utilities?

- 47.85% from PG&E, 47.85% from SCE, and 4.3% from SDG&E



FAQs: PG&E Exposure to Future Wildfire Claims



How is the first \$1B of wildfire exposure covered?

- PG&E maintains “customer-funded self-insurance” using a captive insurance vehicle to cover the first \$1B of calendar year exposure
- PG&E has proposed to continue this structure in its 2027 General Rate Case proposal
- PG&E’s maximum annual exposure is \$50M under the self-insurance program deductible (based on 5% of claims up to \$1B)

What about claims above the \$1B threshold?

- Claims incurred above \$1B for events in a calendar year would be recoverable from the Wildfire Fund (ignitions pre SB 254 effective date) or Continuation Account (ignitions post SB 254 effective date); note that this is a “per year” limit, not “per event”
- Administrator is responsible for setting attachment point of the Funds

What are the relevant reasonableness review requirements?

- Claims paid by the Funds are subject to after-the-fact reasonableness review by the CPUC with filing permitted only when substantially all claims have been paid
- Reimbursement, up to a capped amount, could be required if the utility is found imprudent under the AB 1054 prudence requirement
- Claims paid under self-insurance not subject to reasonableness review



FAQs: California Wildfire Fund – Scope & Coverage



Which entities have access to the original Wildfire Fund?

- California’s three investor-owned utilities, PG&E, SCE, and SDG&E (“participating utilities” or “utilities”)

Which fires are covered by the Wildfire Fund?

- Applies to a “covered wildfire,” defined as 1) fires which ignited on or after July 12, 2019 and 2) which were caused by an electrical corporation as determined by the governmental agency responsible for determining causation (e.g., CalFire)
- A covered wildfire also includes fires asserted to have been caused by an electrical corporation and that result in a court-approved dismissal resulting from the settlement of third-party damage claims
- For example, the 2021 Dixie Fire and the 2019 Kincade Fire are covered wildfires
- Recoveries for the 2019 Kincade Fire would be subject to a 40% limitation on the allowed amount of claims arising before PG&E’s emergence from bankruptcy

What are the eligible claims from the Funds?

- Claims for 3rd party damages resulting from covered wildfires exceeding \$1B, in the aggregate, in any calendar year
- Eligible claims include, but are not limited to, economic damages, fire suppression, emotional distress, and damages from resulting mud slides
- If a utility has multiple covered wildfires ignited in the same coverage year, the \$1B attachment point applies to all claims associated with those wildfires in the aggregate



FAQs: California Wildfire Fund – Capacity & Funding



How much is in the Wildfire Fund currently?

- Net asset balance of \$12.9B as of June 30, 2025 per its financial report (published July 24, 2025)
- See www.cawildfirefund.com for further information and meeting materials of the California Catastrophe Response Council

What is the Wildfire Fund's claims paying capacity?

- Designed to have total capitalization of at least \$21B based on initial and annual funding from utilities and customers
- Utility annual funding (\$300M/yr combined) for 10 years (2019-2028) (as of 6/30/25 \$1.2B remaining to be contributed) and separate customer non-bypassable charge (NBC) (~\$900M/yr combined) which continues through 2035 (as of 6/30/25 ~\$6.3B remaining to be collected)
- PG&E share of annual funding is \$193M (64.2%) through 2028
- The Wildfire Fund may issue bonds secured against remaining NBCs but has not done so to date; absence of early-year financing costs means that total claims paying capacity is on track to exceed \$21B



FAQs: California Wildfire Fund – Mechanics & Payments



Is an annual safety certificate required to access the Funds?

- No; participating utilities may have access to liquidity even if they do not have a valid safety certificate at the time of the ignition
- Safety certification is required for 1) the presumption of prudence as part of the enhanced prudency standard and 2) the disallowance cap if found imprudent

When are claims paid?

- Utilities first pay claims and then submit request for payment to the administrator; the administrator generally must pay eligible claims within 45 days of approving the claim settlement amount
- For the Dixie Fire, PG&E has submitted monthly requests as claims are settled and is receiving consistent, timely payments from the Wildfire Fund
- Administrator reviews claims subject to “reasonable business judgment” standard; subrogation claims settled or paid at $\leq 40\%$ of total asserted claim value are presumptively reasonable

Does the Wildfire Fund (including the Continuation Account) terminate?

- When the administrator determines there are no outstanding obligations on the Wildfire Fund to provide payment for a covered wildfire, any remaining funds are transferred to the Continuation Account; upon determination that the Continuation Account shall be terminated, any remaining funds are transferred to the General Fund
- If the Funds are terminated, the AB 1054 prudency standard would continue to apply, including upfront prudency presumption, for utilities with a valid safety certificate; utilities may still seek cost recovery in rates, but would not benefit from the disallowance cap if found imprudent



What was the standard before AB 1054?

- Utilities have historically been held to the general standard of “reasonableness based upon the facts that are known or should have been known at the time”
- There was significant variation in how CPUC precedent applied this reasonableness standard, especially with respect to wildfires
- In 2017 the CPUC denied cost recovery for three 2007 wildfires involving SDG&E equipment, creating the perception of a perfection standard with “all-or-nothing” cost recovery; this was the first time a California utility had sought recovery of wildfire costs exceeding insurance coverage and coincided with the major 2017/2018 wildfires affecting both Northern (PG&E) and Southern (SCE) California

What’s different about the AB 1054 standard?

- AB 1054 introduced a new prudency standard, specific to wildfires, which includes:
 - Concept of partial disallowances or allocation of responsibility
 - Good-faith actions based on information available at the time
 - Consideration of factors beyond the utility’s control
 - Burden shifting, whereby a utility with safety certification is presumed to have acted reasonably unless a stakeholder raises serious doubt



FAQs: Enhanced Prudency – AB 1054 Statutory Language



How does AB 1054 define reasonableness?

- **Section 451.1(b):** Costs and expenses arising from a covered wildfire are just and reasonable if the conduct of the electrical corporation related to the ignition was consistent with ***actions that a reasonable utility would have undertaken in good faith under similar circumstances, at the relevant point in time, and based on the information available to the electrical corporation at the relevant point of time.*** Reasonable conduct is not limited to the optimum practice, method, or act to the exclusion of others, but rather encompasses a spectrum of possible practices, methods, or acts consistent with utility system needs, the interest of the ratepayers, and the requirements of governmental agencies of competent jurisdiction. ***Costs and expenses in the application may be allocated for cost recovery in full or in part taking into account factors both within and beyond the utility's control*** that may have exacerbated the costs and expenses, including humidity, temperature, and winds.

How does AB 1054 establish presumption of upfront prudency?

- **Section 451.1(c):** An electrical corporation bears the burden to demonstrate, based on a preponderance of the evidence, that its conduct was reasonable pursuant to subdivision (b) ***unless it has a valid safety certification*** pursuant to Section 8389 for the time period in which the covered wildfire that is the subject of the application ignited. ***If the electrical corporation has received a valid safety certification*** for the time period in which the covered wildfire ignited, ***an electrical corporation's conduct shall be deemed to have been reasonable pursuant to subdivision (b) unless a party to the proceeding creates a serious doubt as to the reasonableness of the electrical corporation's conduct.*** Once serious doubt has been raised, the electrical corporation has the burden of dispelling that doubt and proving the conduct to have been reasonable.



FAQs: CPUC Wildfire Cost Reasonableness Review



Who determines after-the-fact prudence/reasonableness?

- The CPUC makes the prudence determination in an after-the-fact wildfire cost recovery proceeding
- With a valid safety certificate at the time of the ignition, a participating utility's conduct is presumed prudent unless a party to the proceeding raises "serious doubt"
- Partial prudence is possible, there is not an "all-or-nothing" outcome from the reasonableness review

When does the review occur?

- The review occurs when directed by the administrator or when a participating utility has resolved all or substantially all claims associated with a covered wildfire
- The CPUC has 12 months to issue a decision on a wildfire cost recovery application, with a one-time opportunity for a 6-month extension

What is serious doubt?

- AB 1054 does not define serious doubt; CPUC will determine if serious doubt has been established as part of the cost recovery proceeding
- Only if a party "creates a serious doubt" as to whether the utility was reasonable "relative to the ignition" of the wildfire will the utility have the burden of proving it was reasonable based on preponderance of evidence



FAQs: Fund Reimbursement & Utility Dissallowance Cap

Under what circumstances would the cap not apply?

- Cap does not apply if:
 - the administrator determines that the utility's actions or inactions that resulted in the applicable wildfire constituted "conscious or willful disregard of the rights and safety of others"
 - the participating utility failed to maintain valid safety certification; or
 - the Funds are terminated

If reimbursement of the Funds were required, what is the timeline?

- Within 6 months of the CPUC issuing a final decision
- In practice this probably means at least 5-6 years after the event considering that 1) substantially all claims must be paid before filing for CPUC review; and 2) 12-18 months for the CPUC review proceeding

What does conscious or willful disregard mean?

- Think of this test as being akin to a "gross negligence" legal construct requiring a reckless act, applicable in only the most egregious of cases, and some form of intentional behavior



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Appendix 2

Presentation Endnotes





Appendix 2: Presentation Endnotes



Slide titles are hyperlinks

[Slide 2: California Legislature Takes Further Action On Wildfire Risk](#)

1. The Utility's ability to recover wildfire-related costs depends on the Wildfire Fund or the Continuation Account having sufficient remaining funds. Such funds could be depleted more quickly than expected, including as a result of claims made by California's other participating electric utility companies.

[Slide 4: Ensuring Existing Protections Remain In Place](#)

1. Prior to the enactment of AB 1054, utilities bore the burden of proving that their conduct was reasonable in order to obtain recovery of costs through rates. AB 1054 changed the standard so that the conduct of a utility is deemed reasonable unless a party to the proceeding creates a serious doubt as to the reasonableness of the utility's conduct. Reasonable conduct is not limited to the optimum practice, method, or act to the exclusion of others, but rather encompasses a spectrum of possible practices, methods, or acts consistent with utility system needs, the interest of the ratepayers, and the requirements of governmental agencies of competent jurisdiction.
2. For fires in any calendar year.
3. SB 254 would, for a catastrophic wildfire that was ignited between January 1, 2025 and the effective date of SB 254, authorize an electrical corporation to file an application for a determination that the claims cannot be paid by the Wildfire Fund and for the issuance of a financing order in the amount of those claims before filing a prudency application.
4. Cap does not apply if a utility is found to have acted with conscious or willful disregard of the rights and safety of others.