Call Participants

EXECUTIVES

Carolyn J. Burke
Executive VP & CFO

Christopher Foster

Jonathan P. Arnold
Vice President of Investor Relations

Patricia Kessler Poppe
CEO & Director

ANALYSTS

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Ryan Michael Levine
Citigroup Inc., Research Division

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Steven Isaac Fleishman
Wolfe Research, LLC

Presentation

Operator

Good morning. My name is Audra, and I will be your conference operator today. At this time, I would like to welcome everyone to the PG&E Corporation First Quarter 2023 Earnings Release Conference Call. Today's conference is being recorded. [Operator Instructions]

At this time, I would like to turn the conference over to Jonathan Arnold, Vice President, Investor Relations. Please go ahead.

Jonathan P. Arnold
Vice President of Investor Relations

Good morning, everyone, and thank you for joining us for PG&E's First Quarter 2023 Earnings Call. With us today are Patti Poppe, Chief Executive Officer; Chris Foster, our Executive Vice President and Chief Financial Officer; and Carolyn Burke, our Executive Vice President of Finance, who will step into the CFO role later today. We also have other members of the leadership team here with us in our Oakland headquarters.

First, I should remind you that today's discussion will include forward-looking statements about our outlook for future financial results. These statements are based on information currently available to management. Some of the important factors which could affect our actual financial results are described on the second page of today's first quarter earnings call presentation.

The presentation also includes a reconciliation between non-GAAP and GAAP financial measures. The slides, along with other relevant information, can be found online at investor.pgecorp.com. We would also encourage you to review our quarterly report on Form 10-Q for the quarter ended March 31, 2023, which was released earlier today.

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

Patricia Kessler Poppe
CEO & Director

Thank you, Jonathan, and good morning, everyone. I'd like to begin by noting that this will be Chris Foster's last earnings call with PG&E. Thank you, Chris, for your commitment and service to our company over the past 11 years.

Since we announced our CFO transition in March, Chris has worked tirelessly to ensure an orderly transition to Carolyn Burke, who will formally take over as our CFO later today. So thank you, Chris, for your friendship, your leadership and your dedication to serving our customers and investors.

And a formal welcome to Carolyn, who brings a wealth of financial experience to PG&E as we continue on our journey remaking the company as a top-performing regulated utility. You'll all have opportunities to get to know Carolyn at upcoming events, including at our Investor Day in California later this month.

We know you have a lot of calls occurring today, and since we've had a strong quarter, and we'll be seeing many of you in just a couple of weeks, we'll be crisp and to the point. Let's get started.

Turning to our results on Slide 3. You'll see we reported first quarter 2023 non-GAAP core earnings of $0.29 per share. This result keeps us on track with our plan for the year. One timing item to consider is our 2023 General Rate Case. As is common with California GRCs, we have a memo account in place, which will allow for new rates to be implemented retroactive to January 1, meaning that after the final decision is reached, we'd expect to begin recognizing the GRC outcome along with the prior quarter's catch-up.

The case schedule calls for a proposed decision in the second quarter and a final decision in the third quarter. We continue to communicate with all stakeholders how important it is to have a timely decision in order to have the resources we need to deliver for our customers.

Also today, we reaffirm our full year 2023 core EPS guidance of $1.19 to $1.23, which at the midpoint represents an increase of 10% over 2022. We also reaffirm our previously stated longer-term targets of at least 10% core EPS growth in 2024 and at least 9% for 2025 and 2026. Also unchanged is our plan for no new equity issuance through 2024.

As we've said before, we'll work to manage the business through ups and downs like weather, regulatory timing, interest rates and inflation, while delivering the safety and reliability investments that our customers need and the consistent financial results our investors expect.

Here on Slide 4, I'll review some of the highlights and proof points as we continue to make progress on mitigating risk, both physical and financial. On wildfire risk mitigation, we filed our 2023 Wildfire Mitigation Plan at the end of March, which further builds on the layers of protection approach from our 2022 plan.

Record winter rains and snowfall have left our hydro assets in a stronger position than they've been in for some years.

CEMA, our Catastrophic Event Memorandum Account, is one of the constructive features of the California regulatory model. It enables us to focus on serving customers when they need us the most, while we track and defer for future recovery much of the costs associated with these historic weather events. We recorded several hundred million dollars of repair and restoration work to the CEMA account between December and March.

Meanwhile, our customer restoration efforts and storm response have been well received in our communities, and our performance benefited from the investments we have made in technology, situational awareness and emergency response coordination.

We've also continued to see more constructive policy outcomes, building on last year's passage of legislation supporting our establishment of a 10-year undergrounding plan as well as the state's decision to extend the life of the Diablo Canyon nuclear plant.

Highlights in the first quarter include our wildfire self-insurance plan, which enjoyed unusually strong support from interveners.

We were also pleased to receive the Nuclear Regulatory Commission waiver, allowing our 2 Diablo Canyon nuclear units to continue operating beyond their current license expiration dates, while the NRC is considering the renewal applications. We expect to file our applications with the NRC by year-end.

And most recently, in the past week, we were encouraged by the proposed decision issued in our 2022 WMCE proceeding. This would grant our full request for $1.1 billion of interim rate relief while allowing for collection over 12 months, also as requested.

The PD could be voted out by the CPUC as soon as the June 8 meeting, and we will be advocating for a timely adoption so that customer benefits can be realized. These benefits include millions of dollars in customer financing savings as well as providing cash funding to accelerate investment. This will facilitate us delivering needed safety, reliability and customer connections work.

I'm also happy to report on continued progress mitigating financial risk. Our simple, affordable model and deployment of waste elimination, the fifth play of our lean operating system, enables improving the customer experience while keeping us on track to deliver our 2% annual O&M savings in spite of weather and inflation.

Also, in support of customer affordability, we worked with the state to offset commodity price increases on winter bills with an acceleration of the annual California Climate Credit. Overall, during the winter gas commodity price run-ups, our procurement team was able to save customers over $1 billion through a series of thoughtful measures, including a diversified portfolio that includes interstate pipeline capacity reaching back to the supply basins, natural gas storage and financial hedging.

Turning to Slide 5. We continue to estimate that our layers of protection have mitigated over 90% of wildfire risk through the combination of inspections, physical hardening, our Enhanced Powerline Safety Settings, Public Safety Power Shutoffs and improved situational awareness and response.

While 2022 did not bring the typical high-wind events that would trigger PSPS, we did see an increase of over 30% in high fire risk days given the significant drought conditions. Despite this increased risk, our EPSS program resulted in a reduction of 69% in CPUC reportable admissions, along with 99% fewer acres impacted for EPSS-enabled lines versus the pre-EPSS baseline for 2018 to 2020 average.

Our 2023 Wildfire Mitigation Plan builds on these core elements and will also see us deploy additional operational mitigations such as partial voltage detection, which leverages our existing smart meters, and our down conductor detection, with a plan to install over 1,100 new enabled devices on the system by the end of 2023, translating to over 75% coverage of high fire risk areas.

Other programs being expanded for 2023 include our transmission pole clearing, our transmission operational controls, and further measures, including EPSS sectionalizing, to reduce customer impact.

We expect to be sharing more with you on the incremental risk reduction associated with these programs at our Investor Day later in the month.

Slide 6 is a reminder of our simple, affordable model, which continues to sit at the heart of our customer value proposition. We remain on track to deliver on at least 2% annual non-fuel O&M reduction, with our wildfire self-insurance and incremental vegetation management savings providing line of sight on continuing to offset inflationary pressures this year.

That's a good moment to bring up my story of the month, which has to do with revisiting the way we approach our work, and in this case, in our undergrounding program and how we're eliminating waste in our process. Historically, PG&E's internal standards had required our underground electric lines to have at least 36 inches of cover.

Upon revisiting this approach and reviewing regulations and the practices of other undergrounding utilities, we determined that 36 inches of cover is not required in most places, and there's little evidence that incrementally deeper conduits are meaningfully safer or more reliable than slightly shallower conduits.

Therefore, in Q4 of last year we revised our standard to only require 30 inches of cover, unless, of course, otherwise directed by a permitting authority. While these may not seem like much, this 6-inch change in depth reduces the labor hours required to install our underground conduits and reduces the amount of spoils created during our trenching activities by approximately 17%. We're estimating that this change of 6 inches will save at least $25 million in 2023 alone. That's lower cost for our customers for the same ultimate value, getting our electric distribution lines underground and permanently reducing the risk.

This is just the beginning of our waste elimination efforts. We're benchmarking with peers and reviewing where it's appropriate to put the conduits 24 inches deep, another 6 inches of potential savings, and we're analyzing the entire undergrounding delivery process through a value stream mapping exercise to identify further opportunities for efficiency, better customer and coworker engagement and even more waste elimination.

So many practices in large organizations like ours get memorialized and standardized into waste. Our fifth play and our focus on it will unlock value for customers in large and small ways for decades to come.

Slide 7 recaps some of the key regulatory and policy catalysts we have in front of us for 2023. The one minor change is for Pacific Generation, where the ALJ recently added about a month to the schedule in response to requests for additional time from the interveners. This will likely push the proposed decision from late 2023 into early 2024. And the sooner we get a final decision, the sooner we can bring the expected benefits to our customers.

We know there is a lot on the plate at the CPUC at this time. We also know that we want what they want, a safer and more reliable system, which is enabled with timely approval of necessary infrastructure investments. In the meantime, we're improving our processes to make every dollar go further and building the case for the right investments to meet customers' expectations.

I'll end here on Slide 8, with our report card reflecting on-track status for all of our operational and financial targets. I'm pleased to say we're on track to deliver on our commitments to both our customers and our investors despite the early challenges from winter storms.

We are confident we have built a resilient conservative plan, which is designed to absorb the ups and downs of the business and the markets. As I like to say, we'll ride that roller coaster so you don't have to.

And before I hand this over to Chris and Carolyn, I'll leave you with 2 additional notes on the financial front.

First, we look forward to being eligible to reinstate our common dividend later this year, which we view as a key step in our return to financial health and essential for attracting the capital we need to deliver for our customers. As we announced on the year-end call, we expect to hit the required earnings level in the third quarter.

Second, we've been encouraged to see the Fire Victim Trust continuing to monetize their stockholding, and at growing values. The trust now owns around 6% of our stock, and as of last week had distributed over $9 billion to their beneficiaries.

And now I'll hand it over to Chris for some financial highlights.

Christopher Foster

Thank you, Patti, and good morning, everyone. Today, we are reaffirming EPS growth of at least 10% each year in 2023 and 2024 and at least 9% in 2025 and 2026. We're also reaffirming our commitment to no equity in 2023 or 2024. As Patti mentioned, we are on track to deliver our 2023 financial commitments.

This morning, I'm pleased to have Carolyn Burke joining me for the financial update. We plan to cover 3 main topics with you.

To start, I'll review the drivers of our Q1 2023 financial results and review the key performance factors that we expect to see in the remaining 9 months to deliver our full year 10% EPS growth. Carolyn and I will next provide a few highlights on regulatory, legal and legislative items. And Carolyn will then close us out with the reiteration of our value proposition.

Let's start on Slide 9. On this slide, we're showing our results for the quarter and drivers we're forecasting for the next 9 months as we walk to our full year guidance of $1.19 to $1.23. For the first quarter, our results came in at $0.29. Versus first quarter last year, you see $0.02 of benefit from lower operating and maintenance costs, partially offset by $0.01 of redeployment.

The lower OEM spend is a result of the storms Patti spoke about earlier. With many of our coworkers activated on storm duty, less planned core work was completed during the first quarter of this year. This allowed us to redeploy funds to operational and enterprise programs. This nimble shift in priorities and execution is made possible by the capabilities we're building here at PG&E, enabled by our lean operating system.

Finally, you'll see we're calling out $0.02 of other, including some timing items. What you don't see is a meaningful impact directly from the storms. That is because of our long-established CEMA mechanism, which is an important constructive component of California utility regulation.

Another driver not reflected explicitly, but to keep in mind, is a benefit from customer capital investment or rate base growth. As you know, a final decision in our 2023 general rate case is expected in the third quarter of this year. Consistent with past cases that Patti described, we will be allowed to record those catch-up revenues for prior quarters once the final decision is received.

We're also reiterating our commitment and consistent focus on executing annual 2% non-fuel O&M reductions. I'll remind you that we're planning conservatively and plan to deliver on target, no more, no less, redeploying any excess back into the business for the benefit of our customers.

On Slide 10, our customer capital investments have not changed from year-end. We have tremendous opportunities to invest capital into our system for the benefit of customers to advance California's ambitious climate goals and support growing customer demand with the adoption of electric vehicles. This growth benefits our customers and our investors while providing additional cash flow from operations. And our simple, affordable model is how we plan to make this manageable for customers.

Moving to Slide 11. In 2022 we exceeded our non-fuel O&M cost reduction target, taking 3% out of the business despite inflation. We use those savings to serve customers and derisk the 2023 plan, which assumes continued inflationary cost pressures.

As I mentioned on the year-end call, we see more opportunities for customers ahead, and the team is just getting started in terms of finding cost savings and eliminating waste.

Let's move to Slide 12. We believe performance is power. So we intend to continue to deliver on operational commitments serving our customers better and making our systems safer every day. We expect that delivering these results will help us achieve better regulatory and financial outcomes, and California has the regulatory structure in place to help us do just that.

Starting at the top of this slide, our 2023 cost of capital is final at 10%. This decision covers the 3-year period through 2025, providing certainty for our investors. The cost of capital decision also continues to provide for a trigger mechanism. Should interest rates remain where they are and the mechanism trigger, we would intend to file with the commission for an upward adjustment consistent with the mechanism.

Next is our pending 2023 General Rate Case. As a reminder, we've already reached resolution on our wildfire self-insurance settlement, saving customers up to $1.8 billion through 2026. Worth noting is that over 85% of our requested revenue requirement increase seeks to mitigate risk in our gas and electric operations and deliver a level of safety that our customers expect and deserve.

Our Pacific Generation application continues to move through the CPUC process. A final decision is now expected in early 2024 based on the schedule update from the ALJ. We are gearing up to launch the marketing on a parallel path, and we expect to do so this quarter.

I'll next cover our pending wildfire-related cost recovery applications. With our 2020 WMCE costs now in rates, the net unresolved balance at the end of the first quarter is approximately $4.8 billion. As a reminder, We've settled our 2021 WMCE, resolving all elements apart from the cost in our vegetation management balancing account.

As Patti mentioned, in the past week we were pleased to receive a proposed decision recommending that we be granted 100% of the interim rate relief we had requested in our 2022 WMCE application. This amounts to some $1.1 billion over 12 months. This will be a constructive recognition of the importance of timely cash recovery, a key focus for the company. Not only would this outcome reduce financing costs for customers, it would also result in tangible work being executed sooner than would otherwise have been the case, including in the current year.

The recently published schedule calls for a final decision in the overall 2022 WMCE application as soon as Q1 of next year. We're advocating for timely resolution in all of our WMCE cases. Resulting cash flow will allow us to accelerate our progress toward improved balance sheet health, improving FFO to debt and providing resources to enable us to meet customer growth demands on the system faster.

It's my pleasure to now hand it over to Carolyn Burke.

Carolyn J. Burke
Executive VP & CFO

Thank you, Chris, and good morning, everybody. At the bottom of this slide, we're highlighting some milestones and next steps of the 2 key pieces of state legislation passed last year.

In addition to the DOE confirmation that Diablo Canyon is eligible for federal funding through the Civil Nuclear Credit Program, we were also granted a waiver by the Nuclear Regulatory Commission to continue operating the units beyond their current license expiration dates, while we work through the full relicensing process.

Also during the first quarter, the California Energy Commission, in consultation with the CAISO and CPUC, issued a needs determination, supporting extended operations at Diablo Canyon to provide electric system reliability in the state.

Finally, in terms of the undergrounding, I'll remind you that the pending 2023 General Rate Case includes our request through 2026, as does our recently filed 2023 Wildfire Mitigation Plan. We will be prepared to file our 10-year plan later this year, dependent on the guidance from the Office of Energy Infrastructure Safety. Once we file, OEIS will have 9 months to review before going to the CPUC, who will also have 9 months for their review.

Now as many of you know, California is my new home. As shown here on Slide 13, I'm quickly and happily learning that California's regulatory construct makes this a great place to do business.

In addition to the protections provided for under Assembly Bill 1054 and the CEMA tracker Patti and Chris discussed earlier, PG&E also benefits from decoupled rates and a 3-year cost of capital set independently from a 4-year forward-looking rate case. And this is just to name a few.

Our strong regulatory environment is an advantage that we will never take for granted. As Chris mentioned, performance is power, and we know we must perform. We understand that affordable customer bills help us not only mitigate financial and regulatory risk, but also, importantly, help us as we continue to build trust with our customers, our regulators and our policymakers.

As the incoming CFO, I intend to continue to build upon the sector-differentiating simple, affordable model that Patti and Chris put in place. The implementation of our lean operating system is helping PG&E improve the customer experience, reduce O&M, enhance capital work plan throughput and quite simply, making PG&E a more enjoyable place to work for and with.

This year, as part of engaging our coworkers on a lean method of waste elimination, we've established our waste elimination center. We are already tracking over 200 projects across the enterprise, and we're finding common themes throughout the business. First, there's a whole lot of overprocessing. And second, there's a whole lot of defects requiring rework. That means a whole lot of opportunity.

My coworkers are excited about tackling these issues and projects and driving improvements for the benefit of our customers. We're going after big and small opportunities, some simple and some complex.

Take this simple example of customer mailings. U.S. postage rates are expected to increase about 7% this year. While we have no control over these mailing rates, we do control what we send to our customers. This waste elimination project is looking at what communications we can digitize or eliminate altogether. If we just eliminated 1 mailing per household per year, that's approximately $4 million in saved postage. As you can imagine, we're not stopping with just 1 mailing, and this elimination project saves more than just postage.

As Patti mentioned earlier, we're going after large waste elimination projects, too, including in our undergrounding program. The team is excited to show you more examples out in the yard during our Investor Day in May, where we'll demonstrate waste elimination driving real unit cost savings and making permanent risk reduction affordable for our customers.

I'll end here on Slide 14 by saying that our value proposition is strong, and it's improving every day. We are progressing towards meeting the common stock dividend eligibility threshold later this year.

As a reminder, before declaring a dividend, we will first need to recognize a cumulative $6.2 billion in non-GAAP core earnings since our emergence from Chapter 11, starting from the third quarter of 2020.

For this purpose, non-GAAP core earnings means GAAP earnings adjusted for certain noncore items as described in our plan of reorganization. Our plan currently shows us reaching eligibility during the third quarter, although this remains subject to assumptions, including the timing of regulatory decisions.

I'll remind you that, regardless of timing, we plan to recommend to the Board that we start with a small dividend initially, feathering in growth over time.

I'll leave you with this: we're on track for 2023 EPS growth target of at least 10% -- at least 10% in 2024, at least 9% in 2025 and at least 9% in 2026.

I'm looking forward to getting the chance to meet many of you in person during our upcoming Investor Day in California later this month.

And lastly, I'd like to thank Chris for his generous support and advice during this transition period. I can't say enough about the incredibly strong team he has built here. Thank you, Chris.

Christopher Foster

Thanks, Carolyn. I'd like to say it's been my privilege to serve as CFO here at PG&E and my time in prior roles over the last 11.5 years. I'm really proud of what we've accomplished, and we've built very strong 5- and 10-year plans. The emphasis now shifts to sound execution, which I have the utmost confidence this team can achieve. I'm also very confident that I'm handing the baton over to a very talented leader whom you'll shortly come to know as the perfect choice to take PG&E's finance organization through its next chapter.

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

Patricia Kessler Poppe
CEO & Director

Thank you again, Chris, and welcome, Carol.

In closing, we are solidly on track for another year of consistent performance in 2023. We look forward to sharing more details with you on our progress and our confidence in the outlook at our California Investor Day on May 24 and May 25. While we do have a virtual option for the main slide presentation, for those of you wondering whether to make the trip, there will be a lot more for you to see and experience outside of that webcast window.

We'll be showcasing some of our key technology, including wildfire risk reduction, EPSS and undergrounding. We also want to give you a better understanding of why we're confident we can execute our plan, including our 10,000-mile undergrounding program.

At our in-person event, you'll also get to hear directly from key California stakeholders, including policymakers, customers and other critical partners, as we continue writing the next chapter of the PG&E story. We really hope to see you here in this great state of California at the end of the month.
With that, operator, please open the line for questions.

Question and Answer

Operator

[Operator Instructions] We'll take our first question from Steve Fleishman at Wolfe.

Steven Isaac Fleishman
Wolfe Research, LLC

Congrats to both Chris and Carolyn.

Patricia Kessler Poppe
CEO & Director

Thanks, Steve.

Steven Isaac Fleishman
Wolfe Research, LLC

So -- you bet, Patti. So just first, any color in thinking on the situation going into this fire season, just with all the rains and et cetera, just how you're thinking about how things stand versus the last few years?

Patricia Kessler Poppe
CEO & Director

Yes. It's a great question, Steve. I know a lot of people have been wondering this. So I'll share a couple of things. One, we know that in some ways, the storms were beneficial from the perspective that trees -- aged and dying trees came down and at a time when fire was not a risk. So certainly, that was an advantage. But we also know that the fuels -- the grasses have a rich crop this year.

But here's the thing that I want investors to really understand is the mitigations that we've put in place and the technology that we have deployed with EPSS gives us the ability to know in 2-kilometer blocks across our entire service area, what the conditions are real time, whether that's fuel moisture levels, wind conditions, temperatures, et cetera, grass levels, we know our system. And so EPSS puts us in a position to, regardless of weather and regardless of conditions, be prepared and derisk the system. It gives me a lot of confidence heading into wildfire season that we are prepared.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. Good. And then second question, just I have to ask again on the Fire Victim Trust, any sense on their kind of strategy or timing from here? In theory, I guess, you're close to the end. Any sense on that?

Patricia Kessler Poppe
CEO & Director

Well, I would suggest we are close to the end, Steve. They're less -- well, there are just over a 6% holder today. And in their annual report, they've described their intentions. And we know that it's just less and less of a factor for us, and we're gratified. And I think the agreement worked out well for the beneficiaries as we've been -- as they've been able to sell their shares at an increasing value. So we feel like we've done our part to make it right, which has been a big priority for us.

Steven Isaac Fleishman
Wolfe Research, LLC

Makes sense. Great. And then just lastly on the GRC and the proposed decision. Just are you getting any sense of the timing within the second quarter and just the likelihood that it will actually come out in the second quarter and not get delayed?

Patricia Kessler Poppe
CEO & Director

Well, I think we've been really clear with our stakeholders, and I do appreciate that the commission has a lot on their plate, but we all understand, and they want what we want, which is a safe system, which requires investment in the infrastructure. We just continue to reinforce the timely outcome on the GRC is really important, and we expect that they'll keep to the timing that they've published.

Operator

We'll move next to Shar Pourreza at Guggenheim.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

And I'll echo Steve's comments around Carolyn and Chris. Congrats, guys, on Phase II, much, much.

Carolyn J. Burke
Executive VP & CFO

Thank you.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Just wanted to -- Patti, if it's okay, just start off on the dividend, especially as we're getting closer to that eligibility threshold. I guess, what adjustments should we be thinking about beyond non-GAAP to get to that $6.4 billion net income threshold? And then more importantly, just in terms of timing, how long do you kind of anticipate it would take after meeting the threshold to actually kind of initiate the dividend? So if you meet the threshold in 3Q, would you have a tentative plan in place for framework, Board approval, et cetera? Or is there more back and forth that you anticipate as we think about the actual payment date?

Carolyn J. Burke
Executive VP & CFO

Yes, Shar. This is Carolyn. I'll take that question. So we've been pretty consistent, as you know, that we would -- we do expect to meet that eligibility in the third quarter. Our current plan suggests -- continues to suggest that. On the adjustments, so our plan of reorganization has a very specific calculation for the dividend-eligible earnings. And it is different from what we report as non-GAAP core earnings. There are some very specific line item adjustments. And our IR team would be happy to walk through that methodology with you separately. But I just want to make sure that you know that it is separate. It is different.

On a practical matter, we want to have our audited financial statements to be able to support the eligibility of that calculation. So the earliest our Board would have the opportunity to declare a dividend would be with our third quarter earnings call. So that's the expectation at this point in time. Of course, it is subject, I will just say, to the GRC decision, some various -- the regulatory decisions that we're expecting in the third quarter.

Patricia Kessler Poppe
CEO & Director

Yes. And Shar, this is Patti. I'll just pile on here with Carolyn. Our capital allocation decisions are always about investing in the system, making sure that our priority is to make the system safer, faster, meet the needs of our customers. And so we're going to continue to balance that as we factor in the decision about size and pacing of growth.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Got it. And then just on the -- now that the undergrounding program is in place, PMO is engaged, I guess, how are your thoughts evolving around longer-term undergrounding plan? Any expectations for that filing? And do you see any constructive variances versus the last update in the GRC?

Patricia Kessler Poppe
CEO & Director

Yes. We're getting excited as we continue to make progress and build out this program. It's such an exciting part of the company, and the team leading it is just doing an incredible job learning new things and getting best practices from across other utilities and getting started. And so we're excited to file that 10-year plan.

We expect that the 10-year plan will very much reflect our GRC and the 4 years that are included in our GRC. And just to remind that that pending filing shows us doubling our mileage here in 2023 getting to 350 miles, ramping up to 450 miles in 2024, 550 miles in 2026 and then 750 miles in 2026 -- 550 miles, sorry, in 2025 and 750 miles in 2026. That ramp will be consistent with what we file in our 10-year plan.

And so based on the timing of that 10-year plan, we are waiting on feedback from OEIS on when they will receive that plan. We're ready to file that when they are ready to receive it. They're staffing up so that they can receive it. But I do think it's important for people to know that the first 4 years, including this year -- or the next 4 years, including this year, are reflected already in our GRC, including, obviously, the cost recovery associated with that. And so depending on the timing of -- the OEIS' availability to receive our 10-year plan has little bearing on the initial years of our undergrounding program.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Perfect. That was very clear-cut. Congrats, guys. We'll see you soon. Appreciate it.

Operator

And we'll go next to Julien Dumoulin-Smith at Bank of America.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Again, congrats to Carolyn here. I remember your days at Dynegy well, and welcome aboard.

Carolyn J. Burke
Executive VP & CFO

Thank you.

Patricia Kessler Poppe
CEO & Director

Thanks, Julien.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Let me start off with this. I mean, you guys have this Analyst Day coming up, and I want to call out, you have your earnings growth rate through '26, and you guys have been very careful to acknowledge the specific discrete growth rates in each year. You have your rate base growth through '27, how are you thinking about addressing if at all, some of the earnings considerations at the upcoming Analyst Day? I know that you've really placed an emphasis here on understanding the core of what you guys are doing, specifically in undergrounding, at this Analyst Day. But I just wanted to call out that discrepancy between RAB and earnings growth, for instance, heading into this Analyst Day, if there were any expectations to set.

Patricia Kessler Poppe
CEO & Director

Well, Julien, we take great pride in giving you multiple years forward expectations on earnings. I would suggest that there are some -- especially with the GRC coming out late after Investor Day, that it's unlikely that we'll forecast any further than 2026, but we're pretty proud of the fact that we're giving you guidance through 2026.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

No. I hear you. I just wanted to test that. I appreciate it though. I very much appreciate the considerations therein.

Separately and related here, can we talk about the Pacific Gen sale, and I understand and saw in your prepared remarks here some of the tweaks and timing with the ALJ, et cetera. But can you specifically address a little bit more your expectations today, where the conversations are with potential buyers and any of the consternation that might be coming up through the process as well from the regulatory side?

Carolyn J. Burke
Executive VP & CFO

Yes. No, I'll take that. This is Carolyn. We've actually seen pretty robust inbound interest in the asset. And so we do expect a fairly competitive process. I will say that the opportunity seems to be most interesting to those long-term infrastructure investors, but we have seen a wide range of interest.

The portfolio, obviously, is pretty unique in that it offers exposure to the full cost of service-regulated clean generation in California and without the direct risk of wildfires. So it's pretty attractive.

And timing, as we've already mentioned, I mean it's really -- we do -- we've updated that. We're going to be going to market with investor -- with our process coming up in June is the expectation, so early summer, and then we would still expect that process to go forward through the balance of the year, simultaneous with the regulatory process and wouldn't expect to be closing until the first half of 2024.

Operator

We'll go next to Anthony Crowdell at Mizuho Securities.

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

Just hopefully 2 quick questions. One on the cost of capital triggering mechanism. I believe that utility is going to file if rates stay where they are for an increase in cost of capital for 2024. Do you expect parties to file for a waiver, similar to, I think, what the utility filed for a waiver for in 2022 for the mechanism not to get reset lower? Is there an expectation that you do get parties also filing for a waiver?

Christopher Foster

Anthony, I think it's really a couple of considerations. First, there's a Phase II piece of this to keep in mind. So the commission is examining both the trigger itself and its treatment as well as an issue rerate, which is the yield spread adjustment in particular. So those are 2 that will be considered in the Phase II. There's not actually a specific time frame around it.

Stepping back and looking at the core of your question, I think you should assume from our standpoint that we would be filing for the upward adjustment, be really consistent with that mechanism, Hard for me to predict where other interveners would come in. But at this stage, that would be our intention.

From a planning standpoint, you can imagine if there is the potential for that trigger to trigger to the upside, that could actually just strengthen our plan further and provide us more capability to put more into the system.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Great. And then lastly, Patti, it's on your, I guess, story of the month, I think you framed it as, or savings of the month of the undergrounding. And I understand the savings that you get by not having to bury the conduit, whatever, 36 inches and now you're at 26, but if I think of the -- probably a large component of the cost of undergrounding, it may be labor. And if I think of PG&E is probably, on their gas side, has been burying gas pipe for 100 years. Like I don't -- can I expect any efficiencies in the digging trenches and putting a conduit down that great considering you've been -- you probably have mastered the trenching of a conduit from the gas side of the business?

Patricia Kessler Poppe
CEO & Director

Anthony, that's a great question. And first of all, I do remind people that all the time, that we've been burying pipe for a long time. However, I would say the synergies that exist are that we can deploy our workforce. We actually have a program called [G2E], gas to electric, where we're enabling our gas workforce to do a lot of that civil work.

All that to say, this undergrounding of electric lines has new technologies that we can deploy today that we're pretty excited about. And you'll get a chance to see those at our Investor Day, the actual equipment, whether it's a rock wheel or a plow-type piece of equipment or even at-grade conduit in what's something called k-rail, which we'll be able to show you all these things at Investor Day.

There's still much, much efficiency that we can gain, and we're really excited about all of the progress and the ideas that we're getting both from our partners as well as from our own work team in our gas division. So there's definitely a great synergy there to leverage.

Operator

And we'll take the next question from Ryan Levine at Citi.

Ryan Michael Levine

Citigroup Inc., Research Division

I guess to follow up on the waste elimination center comments, can you expand what type of projects or initiatives you're tracking beyond mail postage? I mean how material are some of these opportunities? Or any way to frame the scale?

Patricia Kessler Poppe
CEO & Director

Yes. Well, the scale is really massive, Ryan. It starts -- I think the bookends of the mailing, which is $4 million of potential savings with just 1 mailing, all the way up to the story that I shared about the undergrounding, that's all borne out of waste elimination. Some other important focus areas for us in the waste elimination center are things like our new customer connection process improvements. I know that's an area of interest for a lot of people, and we've been making significant progress there in identifying waste in that process that we can eliminate and make a better outcome, a faster outcome for customers at a lower cost, as well as other things like just bundling work.

We have work often done in silos. So on one week, a crew might go out and change a cross arm and 2 weeks later, they might go out and change that very same pole. And so bundling work so that we get out there once and do it at the lowest cost possible and least disruptive for customers.

The potential here, Ryan, I cannot describe, is almost infinite. And when we get 26,000 of my coworkers all being proficient in being able to see waste for what it is and then eliminate it on a daily basis, this thing just runs itself. That's a -- it's a great future that lies ahead for this team and therefore our customers.

Ryan Michael Levine
Citigroup Inc., Research Division

Good to hear. In terms of the CEMA exposure in the early part of the quarter, where is the balance for that as of the end of the quarter? And any time line for recovery through the regulatory process?

Christopher Foster

Sure. Just to help give you a feel for that, what we had filed earlier, Ryan, was a little over $300 million in impact so far. I will offer to you that's early. That number is going to go up. I would assume we're going to be in total -- if you look at all the storm impacts, we're talking about 13 atmospheric rivers of impacts here, this is probably going to be over $500 million in impact.

The CEMA related account, though, is a very consistent recovery mechanism. But as you go forward, we would typically complete the work, audit the work, make that filing, and you typically get around an 18-month to 2-year time line for resolution. But been used really here in California for many years.

Operator

And that does conclude our question-and-answer session. At this time, I would like to turn the conference back over to Patti Poppe for closing remarks.

Patricia Kessler Poppe
CEO & Director

Thanks, Audra. And we really wanted to be mindful of everyone's time today and keeping this call short. So I'll just wrap with one -- couple of thoughts.

One, our best wishes to Chris as he embarks on his next professional step. We're going to miss him, but we're excited and proud of everything that he's achieved and what he's going to achieve next.

And thank you, everyone, for joining us today. We look forward to seeing you at our Investor Days on May 24 and 25. We're excited to see that many of you have already registered, high demand for this event. So we're excited about that. There will be much for you to see live that will not be possible on the webcast. And so we still have room, if you'd just like to join us, just make sure you register.

We are definitely seeing progress here at PG&E. And we want to be able to share that with you at our Investor Day. We want you to know that an investment in PCG is an investment in serving people, the planet and prosperity of many millions. And we're very proud of the progress that the team is making here and want to share that with you at Investor Day. So we look forward to seeing you there. Please be safe out there, everyone. Have a great day.

Operator

And that concludes today's conference call. Thank you for your participation. You may now disconnect.