Call Participants

EXECUTIVES

Carolyn J. Burke
CFO & Executive VP

Jonathan P. Arnold
Vice President of Investor Relations

Patricia Kessler Poppe
CEO & Director

ANALYSTS

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

David Keith Arcaro
Morgan Stanley, Research Division

Gregg Gillander Orrill
UBS Investment Bank, Research Division

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

Ryan Michael Levine
Citigroup Inc., Research Division

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Steven Isaac Fleishman
Wolfe Research, LLC

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Presentation

Operator

Thank you for standing by, and welcome to the PG&E Corporation Fourth Quarter 2023 Earnings Release Call.

I would now like to welcome Jonathan Arnold, Vice President of Investor Relations, to begin the call. Jonathan, over to you.

Jonathan P. Arnold
Vice President of Investor Relations

Good morning, everyone, and thank you for joining us for PG&E's Fourth Quarter 2023 Earnings Call. With us today are Patti Poppe, Chief Executive Officer; and Carolyn Burke, Executive Vice President and Chief Financial Officer. 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 earnings 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'd also encourage you to review our annual report on Form 10-K for the year ended December 31, 2023.

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

Patricia Kessler Poppe
CEO & Director

Thank you, Jonathan. Good morning, everyone. This morning, we reported full year core earnings of $1.23, delivering at the high end of our annual guidance range. This result represents growth of 12% over our 2022 results of $1.10.

In the fourth quarter, we recognized the full year benefit of our 2023 general rate case as expected. I'm also pleased to announce that we exceeded our 2% annual nonfuel O&M savings target for the second consecutive year with savings coming in at 5.5% and pushing our EPS to the high end of the range. Because these savings were predominantly generated by reducing waste and improving service, they benefit customers today and benefit investors for years to come.

Looking to 2024, we're reaffirming our at least 10% growth target, which is now based on our actual 2023 result of $1.23. This results in an increase to our 2024 core earnings guidance range with a new higher midpoint of $1.35 versus our previous guidance of $1.33. We also reaffirm our commitment to at least 9% core EPS growth for both 2025 and 2026, rebased off our actual 2023 results and our new 2024 range.

In addition, I'm pleased to share that we're extending our core EPS growth guidance of at least 9% for an additional 2 years through 2028. Our needed customer investment leads to strong rate base growth, which continues to be the primary driver of our future earnings growth. We are providing you with updated 5-year forecast for both rate base and CapEx in today's slides. These numbers now extend to 2028 and show a consistent compound annual growth rate of 9.5%, using the new base year of 2023.

Finally, we reaffirm our commitment to no new equity in 2024 and remain committed to pursuing the most efficient forms of financing available for 2025 and beyond, which Carolyn will discuss in her remarks.

On Slide 4, we've added 23 actuals, illustrating our high end of guidance results and the rebasing of forward year growth rates now through 2028. This is our simple, affordable model in action. The lift in 2023 reflects our 5.5% nonfuel O&M reduction, well above our 2% plan.

Slide 5 is a reminder of the key elements of our simple affordable model, which allows us to continue growing customer capital investment at 9% or more, while containing customer bill increases at or below assumed inflation in the 2% to 4% range. Key enablers in the model are ongoing annual nonfuel O&M reductions of 2%, efficient financing and electric load growth in the 1% to 3% range. The proof is in the numbers. The simple, affordable model works.

You first saw Slide 6 during our November business update call. This version has been updated for a few additional known items such as the 2024 cost of capital trigger. Our new ROE of 10.7% took effect on January 1 this year with collections beginning this month in

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gas rates and next month for electric. Delivering on this projected 2% to 4% bill growth trajectory is an essential element of the PG&E plan, and one which will be important for building trust with our customers over the long run.

For our average gas and electric residential customer, average monthly bill increases are limited to the 2% to 4% range from 2023 through 2026. I wanted to be clear that this includes the step-up in 2024 as we implement the GRC and other deferred cost recoveries. Our plan shows average build stepping down beginning later this year and further in both 2025 and 2026, keeping the average annual increase in the lower half of the 2% to 4% range as catch-up recoveries roll off.

Two of the larger items are around $1 billion of 2022 WMCE interim rate relief, which comes off builds in mid-2024 and the 24-month collection of our first year GRC revenues, which come off at the start of 2026. Let me say that again. Based on what we know today, our bills will rise at the lower half of the range, around 2.5% per year, on average, over the duration of this rate case from 2023 through 2026.

Let's shift gears to the significant progress the team has made on risk mitigation. Slide 7 updates our 2023 emission data for the full year. Total CPUC reportable admissions came in at 65% for 2023, down 68% from the 2017 baseline and 29% down from 2022. On the right side of the slide, we're showing our weather-normalized ignition rate, which is a metric from our wildfire mitigation plan. This year's number of 0.93 was a reduction of 71% from 2017, and our lowest annual number since we began calculating this metric.

The metric demonstrates that we continue to drive down wildfire risk in 2023, even after adjusting for fewer circuit mile days under R3 or higher conditions when the risk of catastrophic wildfire are highest. While we're extremely pleased with these results, our team certainly isn't stopping here. We see further opportunities to drive overall wildfire risk reduction beyond the 94% achieved in 2023 as we continue with additional system hardening and deployment of new technologies. In addition to the physical risk reduction, financial risks are also lower, including key protections under AB 1054, which were reaffirmed with the issuance of our annual safety certificate last month.

Looking forward, here on Slide 8, we want to take a moment to highlight how we see PG&E offering investors a truly differentiated, high-quality utility growth story. This starts with premium rate base growth and industry-leading 9.5%, what sets us apart is our commitment to make this investment affordable for our customers. The key enabler is our ability to drive consistent nonfuel O&M savings as we deploy our lane operating system in a utility, which previously saw costs compound at an annual 10% rate over the prior 5 years.

As a reminder, several years of doing whatever was necessary to respond to back-to-back crisis pushed our capital to expense ratio far below the industry average. This is where we have a wealth of opportunity and a long runway to drive efficiencies with sustainable savings benefiting both our customers and our investors.

We expect future load growth related to California's leadership in electrification to be a further differentiator and one which will help keep customer build growth within our 2% to 4% forecast. In addition to continued adoption of electric vehicles throughout our service territory, we have seen a threefold increase in data center applications in 2023 versus the prior 4 years. We plan to speak more about these load growth trends over the course of this year, including at an investor meeting, which we are planning for June 12 in New York. So please mark your calendars for that.

The fundamental differentiators of rate base growth, O&M savings and load growth, we would add our constructive state regulatory and policy environment in California. Key elements of the California regulatory model includes 4 years of revenue certainty under the GRC, returns, which are set separately from the GRC, including a formulaic adjustment mechanism, and timely recovery for pass-through of important cost categories, including fuel and pension.

With our GRC results, we now have revenue certainty extended through 2026, giving us the best level of regulatory visibility we've had since I joined PG&E and something which any regulated utility would love. This brings me to our performance playbook, including our lean operating system, which is becoming a critical differentiator for PG&E as we continue building a sustainable culture based on continuous improvement and what we refer to as breakthrough thinking.

And so on Slide 9 to my story of the month or in this case, the story of the year. Let me first take you back to the beginning of 2023. We had a goal to underground 350 miles of electric lines at a unit cost of $3.3 million per mile. We started 2023 with only about 5 miles of civil construction fully complete. At that point, we had hundreds of miles still to design, thousands of individual easements to negotiate, 345 miles of trenches to dig and 350 miles of cable to pull. And then the winter storm hit. This team's atmospheric rivers to be exact, which brought civil work to a near standstill through April.

So how did we deliver on 2023 undergrounding plan, as scoped, on time and at better-than-targeted unit cost performance? Well, during a visit with our Board of Directors in December, I watch proudly as the underground team described how they use the

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PG&E performance playbook every day and at every level. What they shared wasn't one silver bullet, not just a breakthrough idea or a value stream map or waste elimination, rather it was this team's commitment to living the culture, using the tools and building the capabilities that enabled our results and which will cause future success.

In 2023 alone, the undergrounding team eliminated $68 million in waste for the benefit of our customers. They did this by updating our standards, deploying optimal construction methods and better managing spoils. With additional improvements, average unit costs came in below our target of $3.3 million to just under $3 million per mile and the average construction cycle time improved from 5.5 months back in February 2023 to 3.5 months today. This was a total game changer in meeting and exceeding our 350-mile goals.

Thanks to our 2023 undergrounding efforts, we can avoid proactively turning off power to about 15,000 households during dangerous high wind events. These customers who live in our highest risk areas can now sleep at night knowing they do not have to trade safety for reliability or worry that a tree might land on the power line in their backyard. This is climate resilient infrastructure for all weather conditions and for generations to come.

The team reminded us that before lean, we would have managed the undergrounding effort through spreadsheets and phone calls. That was the old PG&E way. Undergrounding team is showing us the new PG&E. Imagine the impact our performance playbook can have enterprise-wide. It's great that we achieved our 2023 goal. What's even better is that we've created a playbook enabling consistent premium performance year-end and year out. As I like to say, performance is power. This means delivering safe, affordable and reliable service to our hometowns, along with consistent, predictable financial results.

With that, let me turn it over to Carolyn.

Carolyn J. Burke
CFO & Executive VP

Thank you, Patti, and good morning, everyone. Today, I'm excited to cover 3 topics with you. First, a recap of our 2023 results; second, our differentiated growth opportunities; and third, how are we making this growth affordable for our customers by executing on our simple, affordable model.

Starting here on Slide 10, I'm pleased to report that we met or exceeded all of our 2023 goals, both operational and financial, and we're on track for each of our longer-term commitments. Our 2023 report card is another proof point that our performance playbook is working. The culture and capabilities we are building here at PG&E are enabling our delivery of consistent, predictable results. It's a virtuous cycle, setting industry-leading targets, using our lean operating system to manage the day-to-day work and then delivering on our promises, building trust with our customers and our investors. This is how we've made our system safer, faster. It's how we delivered on our 2022 and 2023 EPS guidance and it's how we can further strengthen our balance sheet while keeping bills affordable for our customers.

I'm especially proud that we reduced nonfuel operating and maintenance costs by 5.5% in 2023. That's in addition to fully absorbing inflation and on top of the 3% we achieved in 2022. Looking forward, we see no shortage of opportunities to continue delivering better outcomes for customers at a lower cost all across the business. I'd note that not all of the 2023 reduction hit the bottom line, with the majority directly benefiting customers, including our self-insurance solution and substantial efficiencies in our vegetation management work.

Our mid-teens by 2024 FFO-to-debt target is on track, and there is no change to our plan to reduce parent company debt by at least $2 billion by the end of 2026. We remain firmly committed to achieving solid investment-grade ratings. In December, we were pleased to see S&P revised its rating outlook from stable to positive, indicating the potential for an upgrade in the next 12 months. And earlier this week, I'm delighted to say that Moody's upgraded our rating by one notch, also leaving us some positive outlook. This puts us one notch away from investment grade and one step closer to our goal.

We value the support we received from our regulators, helping us strengthen our balance sheet while we execute our plan to affordably serve customers and investors. For example, on February 1, the commission issued a proposed decision authorizing interim rate relief in the amount of $560 million, while our wildfire and gas safety cost application is pending. The interim relief may be voted on as early as March 7 and would provide for collection to start as soon as practical over a 12-month period.

Moving to Slide 11. As you can see here, and as expected, the largest discrete driver of fourth quarter and full year results was the approval of our 2023 general rate case, which added $0.15. We also saw a benefit of $0.03, partly attributed to our nonfuel O&M savings, including better resource management and improved planning and execution.

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Please recall that our O&M savings are part of our simple, affordable model, which allows us to complete more work for the benefit of our customers while delivering affordability. That's exactly what you see here with $0.05 of redeployment. Our savings allowed us to stand up 10 additional model yards designed to improve frontline productivity with more efficient processes, minimizing rework and eliminating waste as we deliver for our customers. We also provided additional training resources for our coworkers, and we accelerated inspections going forward work to protect 2024 and ensuring we're doing the highest priority work for our customers.

We use every extra resource to better serve our customers and achieve our commitments to you, our investors. We weathered the ups and downs to deliver consistent, predictable results. As Patti highlighted, we ended 2023 at the top of our EPS guidance range. although our core philosophy remains to redeploy excess earnings back into the system, benefiting customers while derisking and extending premium growth on behalf of investors.

On Slide 12. We are extending our CapEx and rate base growth projections another year to include 2028, showing a 5-year annual rate base growth of 9.5%. Our new 5-year capital plan represents an increase of over $10 billion or approximately 20% over the 2023 to 2027 plans. This also is over 45% higher than the previous 5-year period from 2019 to 2023. The amounts shown on this slide reflect our base capital plan, including how much our rate base is already approved by regulators. The vast majority or 93% of our rate base for this year is already authorized as is 90% of our 2026 forecast.

In addition to our plan, there are substantial needs to do more. Specifically, we have at least an incremental $5 billion of CapEx opportunities, which we will seek to fold into our plan while still meeting our affordability commitments. These include capacity investments and transmission upgrades to support continued system-wide growth. As we work to drive affordability under our simple, affordable model and ongoing deployment of lean, we will look for opportunities to add this important work.

As you know, this capital investment fuels both earnings growth and improves our operating cash flow, as illustrated on Slide 13, which we have updated and extended since we first showed it at last year's Investor Day. As shown, we're projecting substantial improvement in our operating cash flow in 2024, partly as a result of the final GRC decision. Operating cash flow grows from $5 billion in 2023 to $11 billion by 2028, providing resources to grow our capital investment for customers from $9.8 billion in 2023 to $14 billion in 2028 and substantially improving our cash flow before dividends.

As Patti mentioned, our guidance includes no new equity in 2024. As we look forward, we have many good efficient financing choices, including close to $2.5 billion of annual retained earnings today and rising from there at our present low level of dividend payout, half of our funding provided from normal utility debt, substantial levels of prior cost recovery, favorable tax conditions, for working capital improvements, the sale of a minority interest in our nonnuclear generation assets and potentially reintroducing an at the market, or ATM, equity program in 2025. While we are not giving the final mix of our 2025 financing plan today, rest assured that our plan only includes choices, which are accretive to our guidance. In light of this, we are extending our core EPS growth rate of at least 9% through 2027 and 2028.

Moving to Slide 14. This is our simple affordable model and a breakdown of the 5.5% O&M savings last year. Patti shared details about our undergrounding achievements in 2023, and there are many more similar stories throughout the business. I'll share just one more with you today. At our Investor Day, you heard about improvements we were making to the new customer connections process by leveraging our performance playbook. Now here's how we ended the year. The team was able to save $24 million while decreasing average end-to-end lead time by 13%. That's a 50-day reduction.

We also reduced engineering design time by 33%, a 37-day reduction. As a result, customer on-time delivery improved by 25 percentage points. I shared this example to make an important point. This is not a cost-cutting program at PG&E, rather this is about good business decisions, which are sustainable for the long term and it's about using the performance playbook, including the lean operating system to improve how we do our work every day. Our actions are improving the customer experience and making capital and safety investments affordable.

I'll end here on Slide 15 with regulatory catalysts on the horizon in 2024. As you can see, they are still plentiful and include resolution of our proposed Pac Gen sale, a proposed decision in Phase 2 of our GRC implementing Senate Bill 410 and unlocking our potential to meet the new customer demands here in California, filing of our 10-year undergrounding plan and bring in our $5 billion of incremental capital opportunities into the plan while still meeting our affordability goals.

Finally, I'll comment on our cost of capital adjustment advice letter, which was approved by commission staff in December, raising our allowed ROE from 10% to 10.7% and truing up our cost of debt. While this adjustment is already approved and in customer rates starting this month, in January, a joint intervenor group filed a late request for a review of SaaS approval. While we recognize this creates some uncertainty for investors, we were pleased that the commission staff upheld operation of the adjustment mechanism in

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December as intended. Intervenors offered no new fundamental arguments in their request for review, and we look forward to this issue being resolved expeditiously.

In the meantime, as we have said consistently, our EPS growth guidance is not dependent on the outcome and we value the opportunity to redeploy the revenue uplift for the benefit of customers while delivering consistent, predictable results for investors. There's a lot to look forward to in 2024 and beyond, including our 10% core EPS growth guidance and our at least 9% growth rate now extended through 2028.

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

Patricia Kessler Poppe
CEO & Director

Thank you, Carolyn. Before we take your questions, let me introduce our new report card here on Slide 16, against which you'll be able to track our record of differentiated performance. We're showing our results for 2022 and 2023 along with our goals for 2024 and beyond.

We believe we have a differentiated plan and the right team in place to deliver on these objectives. As I said earlier, performance is power, and we have significant operational momentum with a healthy set of catalysts in front of us. The PG&E turnaround is on track. We trust you feel the momentum as we do. We look forward to seeing you at upcoming investor conferences as well as our investor meeting scheduled for June 12 in New York.
With that, operator, please open the lines for questions.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Just Patti, on the Pac Gen process, I mean, have you received sort of any feedback after the last round of communications with the commission? Any sort of thoughts on hurdles and deliberation? And as you guys are sort of planning around the scenarios, does the delay potentially move your equity needs, especially as you return OpCo cap structure to authorized levels?

Patricia Kessler Poppe
CEO & Director

Yes. Thanks for the question, Shar. I'd say our communications with the commission have been very constructive regarding Pac Gen. We know that Pac Gen is a good transaction for customers. California has very long-term clean energy ambitions. And this is a beautiful fleet of clean energy resources that need investment over the coming years and to be able to share that with an investment partner is good for California's clean energy ambitions and good for customers.

And so our extended time with the commission on these topics have been good. That helps us truly make the case. And frankly, the commission's had a lot on its plate. And so I can understand why they want a little more time. They know this is an important transaction. They want to give it a full look and our conversations have been very constructive with them regarding that.

I'll hand it over to Carolyn and let her discuss about our financing plans, both with and without Pac Gen because we know Pac Gen isn't the only thing. Carolyn referenced an important set of choices that we have. Pac Gen is one of our choices for financing, but I'll let Carolyn go ahead and take that.

Carolyn J. Burke
CFO & Executive VP

Yes. Thanks, Shar, for the question. Yes, if you don't mind, I covered a lot of this in the call, but I do recognize it's been a busy morning for many of you. So let me just cover a couple of points there. First, as you know, we raised and extended our core EPS guidance today. That's 12% in 2023 and at least 10% in '24 and at least 9% now through 2028.

Our refreshed 5-year plan includes improvement in our operating cash flows, rising from about $5 billion in 2023 to $11 billion in 2026. And that's providing the resources to grow our capital investment and further improve our cash flow.

Three, can you point here, our guidance includes no new equity in '24 with or without Pac Gen. And then as we look forward beyond 2024, as we said on the call, we have many good financing choices and they include close to $2.5 billion of annual retained earnings today, which is rising at our present load level of dividend. We have half of our funding provided from normal utility debt. We talked about substantial levers of prior cost recovery, favorable tax conditions. We are constantly working our working capital improvements. And of course, we are potentially reintroducing an aftermarket or ATM equity program in 2025. We're not giving you all the final mix of that 2025 financing plan today, but one thing that you can count on is that our plan will include choices which are accretive to our guidance.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Perfect.

Carolyn J. Burke
CFO & Executive VP

We think it's just simply -- perfect. Okay. Well, if I -- just one thing on -- because I do know -- and I just know I'm going to get lots of questions on the ATM. And so I just want to close that. I think it's -- I just want to say very clearly to everyone that's just simply too soon to size the potential ATM. As we've said on this call, we have a number of other good financing choices available to us, and we have other things that we need to consider, which include our growing lean capability and O&M savings, the pace at which we introduce the additional $5 billion of CapEx and then our own advocacy and timely regulatory outcomes and, of course, the pace of

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our dividend growth. So just -- there's a lot there, and I just thought maybe because it's been a busy morning, I want to just restate all of that for you all.

Patricia Kessler Poppe
CEO & Director

Yes. And Shar, just to close out this subject, you asked a very fulsome question. So we gave you a fulsome answer. Just to close out, we ride the roller culture. This is what we do. There are ins and outs, ups and downs. We write that so that we can deliver this consistent earnings growth profile that we've described and we've committed to. We intend and we plan and are very confident that we can stand by our EPS growth guidance through 2028, even with the range of equity assumptions.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Got it. And Carolyn, this is super helpful. And just to make sure we confirm this, it sounds like your -- I don't want to say shifting, but some of your prior messaging with the stock price kind of dictating your equity timing to now being a little bit more focused around a more systematic approach to raising equity through the trajectory, like the rest of this industry is transitioning towards. Is that a fair statement?

Carolyn J. Burke
CFO & Executive VP

Well, I think what's important is that we stand by our commitment to you that we will find the most efficient financing available to us. And at this point in time, as we look at our stock, it is not the most efficient financing.

Operator

Our next question comes from the line of Steve Fleishman with Wolfe Research.

Steven Isaac Fleishman
Wolfe Research, LLC

You picked the wrong data report with NVIDIA blowing out. But -- so...

Patricia Kessler Poppe
CEO & Director

It's a long game, Steve. It's a long game. We know it's going to be all right.

Steven Isaac Fleishman
Wolfe Research, LLC

Yes, yes. No, you bet, you bet. So the -- just the -- on the -- in the past, when you've talked about the growth rate, you also kind of talked to total return as part of that. And I know now that you've actually reinstated the dividend. Just any kind of reason that you didn't talk to that and just -- and how are you thinking about the dividend aspect as we stand today?

Patricia Kessler Poppe
CEO & Director

Yes. Thanks, Steve, for that question. And we know that this -- obviously, our dividend is low today and the growth rate of our dividend is an area of interest for a lot of people. So I'm glad you asked.

Our intent truly is to have a competitive payout ratio. And we intend to show meaningful progress during this 5-year period. And so I'm happy to be able to share more about this 5-year planning horizon. So as we think about it, this catch-up growth rate will be significant, dramatically different from peers, given our starting point. So how quickly we move within these 5 years is obviously driven by our differentiating and differentiated financing choices that Carolyn just described.

And so, in this near term, I do think it's important for people to remember that we are prioritizing a healthy balance sheet, affordable investment for customers, our premium EPS growth and then we will feather in that dividend over time. But it will obviously, as I said, have a dramatically different growth rate from peers given our starting point.

Steven Isaac Fleishman
Wolfe Research, LLC

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Okay. No, that makes sense. And I guess it's better to be starting from disposition and choices and the opposite. And then just on the commission and just on the Pac Gen again, there's nothing to -- I mean, they don't -- we saw delays in a lot of things over time. This is just kind of the normal process there on that or is something else going on with respect to the Pac Gen approvals?

Patricia Kessler Poppe
CEO & Director

Yes. No, I think a couple of things just in terms of context. I do believe the adjudication of our rate case provide a lot of good visibility and discussion about cash flow, its importance. So I do think we definitely have better alignment with the commission on that subject for us, which is why we would be pursuing a Pac Gen transaction. I think they value the resources. And they want to make sure, on behalf of the customers of California that it's a good transaction for customers, we believe that it is a great transaction for customers. It sets us up to have a partnership over time to invest in these clean energy resources.

We see growing load growth in California. We see need for new generation. This allows us to have a partner in that journey. And we know that, that will be the lowest cost of financing then for customers. And so we stand by the transaction. We know that additional time with the commission only allows us to better communicate and align with them on that.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. Great. And then one more question, just on the cash flow slide, which -- that was a very helpful slide. The -- and thinking about the, I guess, the deficits that's there, each year. I mean it's relatively modest. I mean can a lot of that just be met with the utility debt? Because I assume utility debt is not included in that yet.

Patricia Kessler Poppe
CEO & Director

No. I think that's the way you're thinking. I think that's right the way you're thinking about it. I'll just remind you that there is an additional $5 billion of incremental CapEx that we're looking at financing as well. And we would, again, consider that -- ensure that we are financing that so that it's accretive to earnings.

Operator

Our next question comes from the line of Nicholas Campanella with Barclays.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

So I apologize, it's been a little all over the place, hopefully not repeating another question. But just the positive outlook, BAA1 and then, obviously, good to see the FFO to debt moved back to green here on the report card. Just what's your milestone -- what's your understanding of the milestones and just kind of the time line to get to investment grade now?

Patricia Kessler Poppe
CEO & Director

Yes. Thanks for the question, Nick. We've been having good conversations with both Moody's and S&P. We remain intently focused on improving the credit quality, and we're laser-focused on achieving investment grade. We continue to make good progress on improving our credit metrics every year, and we're continuing to target mid-teens FFO to debt to 2024.

Our 5-year plan shows the significant progress in '24 and '25 with sustained high levels of cash generation, as you mentioned, and the rating agencies, obviously, are looking beyond just the credit metrics and beyond just our cash flow. They're also looking at improvements in our risk mitigation as it relates to wildfires, one more season perhaps for S&P. Moody's is laser focused as well on the wildfire mitigation, governance and management and improvement in our credit metrics.

I think that's the most important gauge for you to look at when you consider milestones is the rating agencies and their reports themselves. We were very happy to see the recent upgrade and that we're -- we continue to be on positive outlook with both Moody's and S&P. So we're going to continue to execute on our plan, continue to execute on our risk mitigation, continue to execute on our O&M savings and continue to execute on ensuring that we see those improvements in our credit metrics for our rating agencies.

Nicholas Joseph Campanella
Barclays Bank PLC, Research Division

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All right. And then I guess just the June 12 Investor Day in New York, just given you've extended the plan out to 28, which is great to see, by the way. But just how do we kind of think about what that Investor Day would bring? Is this kind of more of a financing update, just given the moving pieces in the strategic financing right now? Is that fair? Or how would you characterize it?

Patricia Kessler Poppe
CEO & Director

I'd say one of the things that we want to make sure people know is the California context and the California backdrop for the clean energy transition. This, I would say, is going to be a very differentiated part of our story relative to peers. We see the transition here in full swing, and we are a key player in that transition. So we look forward to sharing more about our load growth forecast, what that means, what does electrification really hold for both PG&E, our shareholders, our investors as well as our customers and our hometowns. So we look forward to really giving a better long-term business outlook and, of course, further refinement of our financial plan.

Operator

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

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Hey team, can you guys hear me okay?

Patricia Kessler Poppe
CEO & Director

We can hear you, Julien.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

Wonderful. So look, I just wanted to follow up on a couple of things that were said thus far. In terms of updates around this ATM, I know you said you're expecting a lot of questions, but just to frame it out really. In terms of the time line here, I mean, a, you've got to know what happens with Pac Gen by middle part of the year. But b, I suspect you're going to continue to evaluate asset sales. You said that would be something incremental to what Pac Gen would materialize that. And then by the end of the year, if there was nothing else that would materialize, then you would kind of go back to that sort of "last resort ATM." I mean given the success in cost cuts, et cetera, I mean, you could kind of interpret that as effectively saying, look, there's a lot of other levers we'll probably pull in the interim and a successful outcome at least at this stage with this equity price would be not necessarily pursuing an ATM. Is that kind of a fair way to frame it?

Carolyn J. Burke
CFO & Executive VP

The way I would frame it is more that it's -- one, it's really, as I said, just too soon to size a potential ATM in 2025. But we have a lot of good options to consider. And so -- and we're looking, in particular, as you just mentioned, our growing lean capability and those O&M savings, you see -- you saw that we achieved 3% in 2022 and last year 5.5%. So we're very excited about the success there and think that could be a factor.

We talked about the additional $5 billion in new CapEx. We're going to make sure that, that's affordable to bring in to our plan and that we can finance it with one of these -- all of these options. So what's the timing that we introduced that $5 billion of new CapEx? And as you know, we do have a number of in-flight regulatory outcomes that we've been advocating for. And so the timing of those will really depend on how we're thinking about the ATM, a potential ATM in 2025. And of course, as Patti just covered, the timing of our dividend growth, we'll have more clarity on that and as we go into 2025 as well. So all of those are what really will drive a potential size of an ATM.

Julien Patrick Dumoulin-Smith
BofA Securities, Research Division

I appreciate you entertaining another question on this. And maybe just coming back, speaking of investment and successes, right, I appreciate your story, Patti. Can you talk a little bit to -- in light of those successes, how do you think about the cadence of undergrounding as you think about this year and further years? I mean has that sort of unlocked an ability to actually accelerate what

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you were doing earlier and really remain on track in a more structural way? And what would be the regulatory considerations around that, b, to the extent to which that was an avenue that you now see increasingly as possible?

Patricia Kessler Poppe
CEO & Director

Yes. I do think last year was an important proof point for everybody, ourselves included, that it can be done and we can do undergrounding at scale and in an affordable way for customers, fundamentally changing the health and well-being of the customers who live near those lines. So that's our first point.

But remember, the general rate case did reduce our mileage from what we had filed. So this year, we're actually probably going to do about 250 miles of undergrounding in line with the rate case. We will be filing our 10-year undergrounding plan as required by SB 884 and that will then give us a window into -- and hopefully, an approval by the end of '25, early '26 that we can see then in 2026 and beyond a 10-year plan for undergrounding as an important part of the climate resilient infrastructure of California.

And again, I'll remind you, our undergrounding plan is not a big bet. It's about 8% of our total line miles, but it's 8% in the highest risk areas. So it eliminates this choice between reliability and safety for customers. They can have both and they can have that affordably. So we'll be able to make that case very well in our filing and our 10-year filing and show the total long-term net present value benefit to customers of doing that kind of infrastructure in those places. But our capital plan is very fulsome with a variety of capital investments, and it doesn't hinge on the undergrounding plan, though we stand by that important infrastructure again as climate resilient infrastructure for the people in California of the future, not the climate of the past, but the climate that's becoming more and more real, we need to have infrastructure that is up to the challenge.

Operator

Our next question comes from the line of Gregg Orrill with UBS.

Gregg Gillander Orrill
UBS Investment Bank, Research Division

Just coming back to the cash flow slide, I was wondering if you could help fill in some of the drivers between '24 and '25. '25, the dot looks to be around $10 billion in cash flow versus the $8 billion in '24, but you've got the wildfire recoveries coming down. So obviously, depreciation is a driver of growth. Just struggling to connect the dots a little bit.

Patricia Kessler Poppe
CEO & Director

So the $5 billion to the $8 billion from '23 to '24 is your question. What's driving that? Just making sure I'm...

Gregg Gillander Orrill
UBS Investment Bank, Research Division

Well, really to '25 because you've got the wildfire recoveries ramping down, but you've got the cash flow going up.

Patricia Kessler Poppe
CEO & Director

Yes. Well, primarily, that is our GRC from '24 to '24, the additional revenues from there. In addition to that, just remember, we have our 2% savings being compounded. And so we see that.

The other key part of '24 versus '25 is we see a decrease in litigation as it relates to our wildfires, has been part of our puzzle. And then as we -- our outlook on commodity prices, we have lower collateral postings as well. So there's a lot of moving parts, but the primary driver of the increase really is our rate base growth recovery from our GRC. That is the main part of the story, but there's a lot of other moving parts.

Operator

Our next question comes from the line of Ryan Levine with Citi.

Ryan Michael Levine
Citigroup Inc., Research Division

What would be the rate payer impact of a year delay to potential Pac Gen sale as you see it?

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Patricia Kessler Poppe
CEO & Director

Just the savings from Pac Gen sale, is that in terms of the benefits from that -- I'm sorry, I'm just making sure...

Ryan Michael Levine
Citigroup Inc., Research Division

Yes. I mean you've articulated publicly or it means that there is rate benefit in this transaction. So I'm just trying to get a sense of why you see a delay of a year?

Carolyn J. Burke
CFO & Executive VP

Yes. We think this is a great transaction for customers, right? It provides customer affordability primarily through financing cost at Pac Gen as well as because it's improving our balance sheet, we expect to be able to -- we expect to lower financing costs for our customers at PG&E as well. But as Patti mentioned, we also see significant benefits for customers because these assets are so key to the clean energy goals. And having a partner that is bringing both the resources and the interest and expertise in supporting these future capital growth needs of this very important portfolio, we think that's where it's particularly going to benefit customers. So they are the two things I would point to.

Ryan Michael Levine
Citigroup Inc., Research Division

Okay. And what is the enterprise lean maturity percentages in your scorecard measuring? It seems very specific around 44% for the recent year.

Patricia Kessler Poppe
CEO & Director

Yes. We do an assessment of all of our leaders and what their maturity is of the adoption and implementation of our 5 basic place, and it's a self-assessment. So the team reviews what's the standard and how are they performing to the standard of these 5 plays. And the point of the 44% score is that, that means that we have lots of room to grow our maturity. And so if you can imagine, delivering 5.5% nonfuel O&M savings, at a maturity level in the 40s, just think of the potential benefit for customers and our processes and our O&M savings over time when we grow that maturity enterprise-wide.

Ryan Michael Levine
Citigroup Inc., Research Division

Okay. And then what are the practical implications of bills going out for gas in February and in March for electric, if the cost of capital trigger doesn't hold?

Patricia Kessler Poppe
CEO & Director

So if the cost of capital trigger does not hold with the implications, it's very minor in terms of the monthly bill rate for the cost of capital adjustment. It was a couple of bucks.

Ryan Michael Levine
Citigroup Inc., Research Division

Would that get reimbursed or in future years? Or mechanically, how does that work?

Patricia Kessler Poppe
CEO & Director

I think it would depend on the determination and how that determination is implemented.

Operator

Our next question comes from the line of Anthony Crowdell with Mizuho Securities.

Anthony Christopher Crowdell

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Mizuho Securities USA LLC, Research Division

Just I wanted to have a quick follow-up to one of Nick's questions, I guess, on the credit rating. Curious, Carolyn, on S&P, I think you had stated there waiting for one more season. Do you know what they want to see in the one season prior to an upgrade?

Carolyn J. Burke
CFO & Executive VP

I think it's another season of performance by our team. I think there are some folks, and we've heard this from even in analyst calls that the last 2 winters have been not significantly in terms of a wildfire season. But we've proven with our numbers when you even adjust for the weather that we are continuing to reduce wildfire risk. And I know Patti has a...

Patricia Kessler Poppe
CEO & Director

Yes, and I would just say, in our conversations with S&P, they focus on 3 main things. I would say, first, it's management and governance post bankruptcy. So I do believe that's what they're looking at first, and then they want to see additional wildfire performance, which we feel very confident about. And then finally, obviously, the financial metrics. And so, we do -- we're -- we've been on positive outlook with them. They put us on positive outlook at the end of the year. So we look forward to them moving on that sometime in 2024.

Anthony Christopher Crowdell
Mizuho Securities USA LLC, Research Division

Great. And then just one follow-up on the cost of capital challenge. Is there a date where -- I don't know if the right term is the challenge gets dismissed or I know it's already in rates. I know it's not going to impact the company's '24 guidance. But just is there a date where the commission denies the challenge?

Patricia Kessler Poppe
CEO & Director

There is nothing firm or definitive about that. But you're right, your thoughts are correct, though, that it isn't rates and it doesn't have a bearing on our '24 earnings other than to say that we have planned conservatively for either outcome.

Operator

Our final question comes from the line of David Arcaro with Morgan Stanley.

David Keith Arcaro
Morgan Stanley, Research Division

Great to see you're extending the EPS growth rate here. I was just wondering kind of what gave you the confidence now to provide those EPS growth assumptions through '28 given that there's another cost of capital, proceeding another in the midst of that planning period?

Patricia Kessler Poppe
CEO & Director

We have a great plan, and it's anchored in our simple, affordable model. We have ample capital demand. And this is the thing that I want to just acknowledge for our customers who are feeling the catch-up in our bills right now. We know that we can deliver this capital infrastructure, which they have been demanding and requesting and asking for us to deliver in an affordable way.

So as we look forward, we have a conservative plan. We ride that roller coaster so we can deliver a consistent outcome for investors and better service every single year for customers. And frankly, we look forward to a time in the not-too-distant horizon where we're going to be lowering bills for customers as we do that. The simple affordable model will work here in California.

We are in the early days. But as we look forward, we see the capital demand matched by our cost savings, load growth and efficient financing, which allows for affordable bills for customers. That's a formula that can work for a long time forward. It gives us a lot of confidence as we give forecasted EPS growth guidance in the next 5-year plan.

Carolyn J. Burke
CFO & Executive VP

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And David, I'll just remind you, we always plan conservatively. And so that's what gives us also lots of confidence.

David Keith Arcaro
Morgan Stanley, Research Division

Okay. Excellent. And then maybe on load growth, it's the data center backdrop seems to have changed quite a bit maybe since you've given that 1% to 3% load growth figure. And it sounds like you might address that in upcoming Analyst Day. I was just wondering if that's reflective of what you've seen in your service territory in terms of that data center demand. Is that accelerating ramping up from what your prior expectations had been?

Patricia Kessler Poppe
CEO & Director

Yes. Well, I can share that just in 2023, we had a 3x increase in data center applications versus the prior 4 years. So as we look at the 5-year forward load growth forecast, the back end of that forecast will reflect then the additional data center demand. And look, I think we all can agree that the only thing that's happening with data centers is they need more of them. And so part of the deal here is we need to make ourselves available and accessible and show that we can in fact serve that load here in California, which is what we're doing. And we'll look forward to sharing more about that in June.

Operator

I would now like to turn the call over to Patti Poppe for closing remarks.

Patricia Kessler Poppe
CEO & Director

Thank you, Mandeep. Well, thank you, everyone, for joining us today. I know it was a busy one, and we appreciate your time and attention. We look forward to staying in touch with you.

I just want to give a final remark and thank the entire PG&E team for delivering an outstanding 2023 for customers. They deliver for our hometowns. We're serving our planet, and we're leading with love at PG&E, and I couldn't be more proud to stand alongside with the men and women of PG&E to do just that. So we feel really great about our turnaround. We know that, that turnaround is on track. Thanks to all those great people here at the company, and we look forward to seeing all of you in the coming months and definitely in June, on June 12 in New York. Thanks so much. Have a safe day.

Operator
This concludes today's call. You may now disconnect.

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