PG&E Corporation

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The Honorable Cottie Petrie-Norris
California State Assembly
Committee on Utilities and Energy, Chair
1021 O Street, Suite 8120
Sacramento, CA 95814

RE: PG&E's Announced $2 Billion Deferral of 2027 Capital Investment

Dear Chair Petrie-Norris,

Thank you for your questions about PG&E's announced $2 billion deferral of 2027 capital investment. We made this adjustment to reduce near-term financing needs and support customer affordability amid continued uncertainty regarding California's wildfire liability framework. The capital adjustment helps manage that uncertainty in the near term, but it does not change the need for durable wildfire reforms that reduce financial uncertainty and support utilities' ability to maintain investment-grade credit ratings. Investment-grade ratings directly benefit customers by lowering financing costs and preserving reliable access to the capital needed to serve growing demand and meet customers' expectations for safety, reliability, and a clean energy future.

Even after the deferral, PG&E plans to invest approximately $11.4 billion in 2027, broadly in line with the level of annual capital investment in 2024 and 2025. The revised plan is therefore not a retreat from investment, but a recalibration designed to protect customers while preserving PG&E's ability to make essential long-term investments.

We understand that customers and communities need clarity about whether and how these changes to project schedules could affect projects they are counting on. We also recognize the importance of transparency regarding customer impacts, safety, affordability, and regulatory accountability. The responses below summarize our current assessment, including what is changing, the potential implications for customers, and how those changes will be subject to regulatory oversight and reporting.

RESPONSE #1

What programs and categories of work make up the $2 billion deferral, and how is it divided among CPUC-jurisdictional GRC capital, FERC-jurisdictional transmission, and capital recovered through other CPUC proceedings?

On September 2, 2026, PG&E announced a strategic review and adjustments to our 2027 capital plan to reduce near-term financing needs while continuing to prioritize safety and

compliance. As part of that effort, PG&E identified work that can be delayed or deferred, which will affect the timing of some investments intended to accommodate growing demand and advance other programs. PG&E will continue to fund critical safety programs and meet our compliance obligations, including those associated with our Wildfire Mitigation Plan and safety certification requirements.

At the time of the announcement, PG&E identified four general categories of work that could be affected:

- Electric generation interconnection
- Distribution capacity
- Work at the request of others
- New business connections

Since the announcement, we have continued to review and refine our 2027 work portfolio to determine which investments can be delayed or deferred while maintaining safety and compliance. Based on that work to date, we have identified the following programs for partial deferral in 2027:

Electric

- Electric Transmission: Transmission Capacity, Transmission Line and Substation Asset Replacement
- Electric Distribution: Pole replacements, New Business connections, Distribution Capacity, Substation Asset Replacement

Gas

- Mains Replacement, Upgrades for In Line Inspection

IT and Security

- Asset lifecycle replacements, certain cyber security investments

Power Generation

- Hydro Asset replacement

Customer

- Meter replacements and upgrades

Corporate Real Estate and Transportation Services

- Building upgrades and maintenance projects
- Vehicle fleet electrification

Approximately 35% of the currently identified deferrals are CPUC-jurisdictional investments included in PG&E's 2027 GRC forecast, and approximately 65% are FERC-jurisdictional transmission investments. At this time, none of the deferred CPUC-jurisdictional capital spending is expected to be recovered through proceedings outside the 2027 GRC.

As noted above, our 2027 planning remains ongoing and subject to change. Our work plans must account for changing field and system conditions and emergent circumstances (*e.g.*, damage from extreme weather events, such as El Nino and winter storms). As a result, PG&E regularly reassesses and adjusts work plans and internal budgets throughout the course of the year to determine the appropriate type, scope, timing, and cost of our work in order while continuing to meet our customers' needs.

We will also need to adjust our 2027 plans and internal budgets, as appropriate, to reflect the CPUC's final decision in our 2027 GRC. The current schedule for that proceeding would result in a decision some time in Q2 2027. Further changes to work plans also may be needed to reflect final decisions in other state and federal regulatory proceedings.

RESPONSE #2

How much of the deferred capital is included in PG&E's 2027 GRC forecast, including its August 2026 update? Will PG&E formally revise its GRC request to reflect the reduced capital plan so the public can review it on record?

A. Approximately One-Third of the Deferred Capital Spending Was Included in PG&E's 2027 GRC Forecast

As noted in Response #1, approximately 35% of the partial deferrals are for programs included in PG&E's 2027 GRC forecast.[1] With the exception of Electric Transmission, all of the specific program categories listed in Response #1 are included in PG&E's 2027 GRC forecast.

The August 2026 GRC update did not update forecasts for individual capital programs; as explained below in Section C, that update addressed the categories of cost changes permitted under the CPUC's Rate Case Plan.

B. The GRC Process Anticipates Changes in Utility Work Plans

PG&E does not intend to revise its 2027 GRC request solely as a result of the current changes to its 2027 capital plan. California's multi-year general rate case process necessarily requires utilities to forecast work and costs well before the years in which the work will be performed. The CPUC has long recognized that utilities will need to adjust individual projects, programs, and spending priorities as circumstances change.

As the CPUC has explained, expenditure estimates are based on plans and preliminary budgets developed well in advance of the initial application, and when those plans are later finalized or adjusted, "new programs or projects may come up, others may be

[1] As discussed in greater detail at the conclusion of this response, the August 2026 update does not pertain to specific capital programs.

cancelled, and there may be reprioritization." The Commission further recognized that this process "is expected and is necessary for the Utility to manage its operations in a safe and reliable manner."[2] Our current planning, including the potential deferral of certain capital investments, is consistent with that longstanding framework.

These changes are also subject to regulatory transparency and oversight. PG&E reports recorded spending and changes in its work plans through its annual Risk Spending Accountability Report (RSAR), which is submitted to the CPUC and served on the GRC service list. Because the RSAR reports on recorded spending for the preceding year, changes made to 2027 work plans and spending would be reflected in the RSAR submitted in 2028.

C. The August 2026 Update Adheres to The Commission's Rate Case Plan

The question refers to PG&E's August 2026 update in the 2027 GRC. Under the CPUC's Rate Case Plan, post-hearing updates are limited to specified categories of cost changes: (1) known changes in labor costs resulting from completed contract negotiations or updated data using the same indices presented during hearings; (2) changes in non-labor escalation based on those same indices; and (3) known changes resulting from governmental actions, such as changes in tax rates, postage rates, or assessed valuation.[3]

PG&E's August 2026 update was consistent with those parameters. It reflected increased labor costs resulting from new collective bargaining agreements and reduced tax costs associated with the removal of the Corporate Alternative Minimum Tax (CAMT) based on updated IRS guidance. In addition, consistent with our focus on customer affordability, PG&E elected not to update its request for higher non-labor escalation costs resulting from inflation since the filing of the 2027 GRC.

Because the Rate Case Plan limits the scope of this update process to specified categories of cost changes, the August update did not address subsequent changes to individual capital projects or programs, including projects that may be delayed or deferred in 2027.

RESPONSE #3

How will the deferral affect PG&E's ability to meet its energization timelines? What criteria will PG&E use to decide which projects are delayed, and will PG&E publicly report the impacts on its energization and interconnection queues?

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[2] D.11-05-018, p. 27 (Decision on PG&E's Test Year 2011 General Rate Case) (Emphasis added). The Commission's 2011 GRC decision cited D.83-12-098 and D.94-12-068 as additional support for utilities' authority to reprioritize funding.

[3] D.21-08-036, p. 180 (citing D.07-07-004, Appendix A, p. A-36).

A. PG&E Expects to Meet Energization Timeline Requirements

PG&E expects the revised capital plan to delay some new-business connections. Even with these delays, however, PG&E currently anticipates continuing to meet applicable CPUC energization timeline requirements.

We recognize that compliance with a regulatory timeline does not eliminate the impact on an individual customer whose expected completion date changes. Regulatory requirements, dates previously communicated to customers, and PG&E's average completion times are each distinct measures, and we recognize that delays against any customer's expectations regarding timing can have meaningful consequences.

PG&E has made significant progress improving new business connections. Since the first quarter of 2023, when approximately 12,000 customers were ready and waiting for construction, that backlog declined to an average of approximately 400 customers at a given time in the fourth quarter of 2025, a reduction of nearly 97%.

In 2026, for average calendar days to complete our work at all phases of the new-service process, we are averaging 118 days, well below the CPUC target of 182 days. PG&E is also meeting the applicable maximum timeline 98% of the time, compared with the state requirement of 95%. New technologies and improved processes have reduced application intake and engineering design times, as well as associated costs. Overall customer satisfaction with PG&E new service connections is now at record levels.

That said, we recognize that there is more work to do and continue to work with customers, construction trades, lawmakers, policymakers, and regulators to improve our processes and accelerate new-business connections.

Under the revised 2027 capital plan, PG&E currently expects that some new-business projects will be completed later than their currently projected completion dates or our current average completion times. Based on our current assessment, affected 2027 new-business connections could experience delays of approximately one to six months, depending on available funding and project readiness. Even with those anticipated delays, PG&E expects to continue meeting applicable CPUC energization timeline requirements.

B. Project Deferral Criteria

We will continue to sequence new electric connection work using a first-in, first-out approach. The queue is based on the customers' application date and readiness for connection.

C. Energization Reporting

PG&E will continue publicly reporting energization performance through the CPUC's established reporting process. In accordance with CPUC D.24-09-020, we submit to the CPUC a Biannual Energization Report that includes:

- The number of submitted and completed energization requests.
- The timing to complete the energization requests, including the total time, and the time needed for utility- and customer led steps.
- The number, party responsible for, and the duration of delays, and how the delay(s) were resolved.
- Cost information related to utility staffing, materials, and labor necessary to complete energization requests.

The full list of energization data collection requirements can be found in Appendix B of D.24-09-020.[4] These reports will provide public visibility into PG&E's energization performance as the revised capital plan is implemented.

RESPONSE #4

Which safety, wildfire mitigation, and compliance programs has PG&E excluded from the deferral, and how will PG&E demonstrate to the Commission and the Office of Energy Infrastructure Safety that this work is unaffected?

A. WMP Requirements

We have excluded from delay or deferral Wildfire Mitigation Plan programs necessary to meet applicable safety certification requirements. Following approval of our WMP, the Office of Energy Infrastructure Safety (Energy Safety) oversees compliance through established processes, including audits of utility records and an annual assessment by an independent evaluator approved by Energy Safety. Our performance against our WMP commitments will continue to be reviewed through these oversight processes.[5]

B. Safety and Operational Metrics

PG&E also has limited delays or deferrals where we believe they could materially affect our ability to maintain current safety and reliability performance. We measure and report that performance through our biannual Safety and Operational Metrics (SOMs) reports to the CPUC, which track wildfire, electric reliability, and natural gas safety performance across 32 metrics.

[4] Our biannual reports since 2024 can be found on the CPUC's website: Home → Industries and Topics Electrical → Energy Infrastructure → Energization → Energization Data Reporting Requirements and Data Reporting Template.

[5] Further details regarding OEIS' oversight of our WMP performance can be found on OEIS' website: Home → What we Do → Electrical Infrastructure Safety → Performance Assessment.

PG&E currently expects to maintain its safety and reliability performance notwithstanding the partial delay or deferral of certain 2027 programs. The CPUC will be able to monitor that performance through our 2027 SOMs reports, due March 31 and September 30.[6]

We recognize that these capital-plan changes can have real consequences for affected customers and communities. Our objective is to manage the necessary reduction in near-term capital investment while protecting safety and compliance, maintaining regulatory accountability, and minimizing customer impacts. We appreciate the opportunity to explain both the changes we are making and the oversight that will accompany them.

Sincerely,



[6] Further details regarding the CPUC's oversight of our SOMs performance can be found on the CPUC's website: Home → About the CPUC → Divisions → Safety Policy Division → Wildfire and Safety Performance → Safety and Operational Metrics.