ELECTRIC PRELIMINARY STATEMENT PART IN Sheet 1
RISK TRANSFER BALANCING ACCOUNT - ELECTRIC (RTBA-E)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*)

1. PURPOSE: The purpose of the Risk Transfer Balancing Account – Electric (RTBA-E) is to track and record actual expenses compared to the adopted expenses for financial risk transfer costs (inclusive of all financial risk transfer mechanisms: insurance, reinsurance, Catastrophe (CAT) bonds, captives and related costs such as broker fees and excise taxes) allocated to the electric distribution and generation functions. Effective January 1, 2023, PG&E is authorized to recover $156 million annually for non-wildfire liability commercial insurance policies, plus associated financial risk transfer expenses with coverage up to a $700 million coverage target. Actual amounts in excess of $156 million are tracked separately in the Additional Non-Wildfire Expenses Subaccount for subsequent review and approval by the Commission. (T)

   Effective January 1, 2023, PG&E is shifting to a 100% self-insurance framework for wildfire liability insurance for the 2023 GRC Period (2023-2026)[1] that applies to Wildfire Events, which include wildfire ignitions between January 1, 2023, and December 31, 2026. Wildfire Events also include wildfire ignitions in 2027 to the extent the self-insurance framework is extended into 2027. This shift does not affect PG&E's authority to collect the remaining, outstanding costs of commercial insurance policies that extend into and expire in 2023.

   To the extent PG&E has wildfire liability insurance coverage through existing commercial market policies for a Wildfire Event, PG&E would exhaust that coverage before using self-insurance but may pay any costs incurred within the self-insured retention in its commercial policies using available self-insurance funding, which include deductibles associated with third-party wildfire commercial policies.

   This account is comprised of four subaccounts: Third-Party Electric Distribution Subaccount, Third-Party Generation Subaccount, Additional Non-Wildfire Expenses Subaccount, and Wildfire Self-Insurance Subaccount. (T)

   The Third-Party Electric Distribution Subaccount tracks actual financial risk transfer costs associated with non-wildfire commercial policies up to $156 million annually compared to adopted amounts that are allocated to the electric distribution function. Note that financial risk transfer expenses associated with the commercial policies are not subject to the cap. Financial risk transfer expenses related to commercial wildfire insurance policies that extend into and expire in 2023 will continue to be recorded to this subaccount, including true-ups to previously recorded expenses and are not subject to the non-wildfire funding cap. Disposition of the balance in this subaccount will be determined annually through the Distribution Revenue Adjustment Mechanism (DRAM) in the Annual Electric True-Up (AET), or through a separate advice letter as authorized by the Commission. (T)

[1] Upon mutual agreement, the Settling Parties may seek Commission authorization to extend the term of this Settlement for one or more years via Tier 2 Advice Letter.

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART IN Sheet 1
RISK TRANSFER BALANCING ACCOUNT - ELECTRIC (RTBA-E)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*)

1. PURPOSE: The Risk Transfer Balancing Account is a two-way balancing account and is applicable to electric and gas customers. The purpose of the Risk Transfer Balancing Account – Electric (RTBA-E) is to track and record actual expenses compared to the adopted expenses for financial risk transfer costs (inclusive of all financial risk transfer mechanisms: insurance, reinsurance, Catastrophe (CAT) bonds, captives and related costs such as broker fees and excise taxes) allocated to the electric distribution and generation functions. PG&E is authorized to recover costs associated with the purchase of up to $1.4 billion of financial risk transfer coverage for commercial policies purchased prior to 2023 in total ("reasonableness threshold"). (T) Amounts in excess of this limit are tracked separately in the Additional Coverage Subaccount for subsequent review and approval by the Commission. The purpose of this account is to also (T) track and record expenses compared to adopted funding for PG&E's self-insurance program as described in the Wildfire Self-Insurance Subaccount. (T)

   Effective January 1, 2023, PG&E is shifting to a 100% self-insurance framework for wildfire (N) liability insurance for the 2023 GRC Period (2023-2026)[1] that applies to Wildfire Events, which include wildfire ignitions between January 1, 2023, and December 31, 2026. Wildfire Events also include wildfire ignitions in 2027 to the extent the self-insurance framework is extended into 2027. This shift does not affect PG&E's authority to collect the remaining, outstanding costs of commercial insurance policies that extend into and expire in 2023. (N)

   To the extent PG&E has wildfire liability insurance coverage through existing commercial (N) market policies for a Wildfire Event, PG&E would exhaust that coverage before using self-insurance but may pay any costs incurred within the self-insured retention in its commercial policies using available self-insurance funding, which include deductibles associated with third-party wildfire commercial policies. (N)

   This account is comprised of four subaccounts: Third-Party Electric Distribution Subaccount, (T) Third-Party Generation Subaccount, Additional Coverage Subaccount, and Wildfire Self-Insurance Subaccount. (T)

   The Third-Party Electric Distribution Subaccount tracks financial risk transfer costs paid to third parties associated with the purchase of up to $1.4 billion of risk transfer coverage purchased (T) through commercial policies prior to 2023 in total compared to adopted amounts that are allocated to the electric distribution function. Financial risk transfer expenses related to commercial wildfire insurance policies that extend into and expire in 2023 will continue to be recorded to this subaccount, including true-ups to previously recorded expenses. Disposition of the balance in this subaccount will be determined annually through the Distribution Revenue Adjustment Mechanism (DRAM) in the Annual Electric True-Up (AET), or through a separate advice letter as authorized by the Commission. (T)

(L)
(L)

[1] Upon mutual agreement, the Settling Parties may seek Commission authorization to extend the term of this Settlement for one or more years via Tier 2 Advice Letter.

(Continued)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*) (Cont'd)

1. Purpose (Cont'd)

The Third-Party Generation Subaccount tracks actual financial risk transfer costs associated with non-wildfire commercial policies up to $156 million annually compared to adopted amounts allocated to the generation function. Note that financial risk transfer expenses associated with the commercial policies are not subject to the cap. Financial risk transfer expenses related to commercial wildfire insurance policies that extend into and expire in 2023 will continue to be recorded to this subaccount, including true-ups to previously recorded expenses and are not subject to the non-wildfire funding cap. Disposition of the balance in this subaccount will be determined annually through Portfolio Allocation Balancing Account (PABA), Energy Resource Recovery Account (ERRA), New System Generation Balancing Account (NSGBA), and/or any other mechanism that recovers electric generation base revenue requirements as authorized by the Commission, in the AET or through a separate advice letter as authorized by the Commission. (T)

The Additional Non-Wildfire Expenses Subaccount tracks actual expenses above $156 million associated with non-wildfire liability insurance purchased from third parties allocated to the electric distribution and generation functions. PG&E will file an application seeking approval of any costs recorded to this subaccount. Upon approval, the financial risk transfer costs recorded to this subaccount will be transferred to DRAM, for electric distribution and PABA, ERRA, NSGBA, and/or any other mechanism that recovers electric generation base revenue requirements for electric generation. (T)

The Wildfire Self-Insurance Subaccount tracks adopted self-insurance funding plus investment income (net of incremental administrative expenses) less accrued wildfire liability expenses covered by self-insurance and any other applicable self-insurance costs, which mean the same costs that have typically been covered by third-party, commercial insurance coverage including the cost of wildfire liability claims, judgments, settlements, court costs and associated legal fees (excluding the costs of PG&E's in-house counsel) for Wildfire Events that are paid through self-insurance. Costs incurred within the self-insured retention in PG&E's commercial policies may be recovered using available self-insurance funding.

Funding of amounts in this subaccount is through CPUC jurisdictional retail distribution rates.

The self-insurance amount to be collected in rates may not be greater than the amount that would achieve a total, available self-insurance accrual amount of $1 billion as of the end of the year, assuming no wildfire liability self-insurance costs are incurred that year. Available self-insurance means a surplus amount of self-insurance that PG&E has already collected in rates, which has not been identified by PG&E as necessary to be reserved to pay for self-insurance costs from a Wildfire Event. The revenue requirement will be reduced when collecting it would place the balance of the available self-insurance above $1 billion.

Additionally, wildfire expenses are subject to a deductible equal to 5 percent of up to $1 billion of self-insurance costs for wildfire events that occur each calendar year. The total amount of the deductible will not exceed $50 million annually.

Disposition of the balance in this subaccount is at the end of the 2023 GRC Period. Determining the balance will depend, in part, on a true-up to reflect potential changes as the total amount of self-insurance costs paid for the 2023 GRC Period becomes known and finalized. Because of the lag time between a Wildfire Event and payment of expenses from that event, this true up may extend beyond the end of year 2026. True-up of the balance will be determined through a Tier 2 advice letter process.

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART IN Sheet 2
RISK TRANSFER BALANCING ACCOUNT - ELECTRIC (RTBA-E)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*) (Cont'd)

1. Purpose (Cont'd)

The Third-Party Generation Subaccount tracks financial risk transfer costs paid to third parties associated with the purchase of up to $1.4 billion of risk transfer coverage purchased through commercial policies prior to 2023 in total compared to adopted amounts that are allocated to the generation function. Financial risk transfer expenses related to commercial wildfire insurance policies that extend into and expire in 2023 will continue to be recorded to this subaccount, including true-ups to previously recorded expenses. Disposition of the balance in this subaccount will be determined annually through the Portfolio Allocation Balancing Account (PABA) in the AET or through a separate advice letter as authorized by the Commission. (L)/(T)

The Additional Coverage Subaccount tracks the cost to purchase more than $1.4 billion in coverage purchased through commercial policies prior to 2023 in total, allocated to the electric distribution and generation functions. PG&E will file a Tier 2 advice letter to seek approval of any costs for financial risk transfer coverage over $1.4 billion in total. Upon approval, the financial risk transfer coverage costs recorded to this subaccount for the electric distribution and generation functions will be transferred to the DRAM and PABA, respectively. (L)/(T)

The Wildfire Self-Insurance Subaccount tracks adopted self-insurance funding plus investment income (net of incremental administrative expenses) less accrued wildfire liability expenses covered by self-insurance and any other applicable self-insurance costs, which mean the same costs that have typically been covered by third-party, commercial insurance coverage including the cost of wildfire liability claims, judgments, settlements, court costs and associated legal fees (excluding the costs of PG&E's in-house counsel) for Wildfire Events that are paid through self-insurance. Costs incurred within the self-insured retention in PG&E's commercial policies may be recovered using available self-insurance funding. (L)/(T)

Funding of amounts in this subaccount is through CPUC jurisdictional retail distribution rates. (N)

The self-insurance amount to be collected in rates may not be greater than the amount that would achieve a total, available self-insurance accrual amount of $1 billion as of the end of the year, assuming no wildfire liability self-insurance costs are incurred that year. Available self-insurance means a surplus amount of self-insurance that PG&E has already collected in rates, which has not been identified by PG&E as necessary to be reserved to pay for self-insurance costs from a Wildfire Event. The revenue requirement will be reduced when collecting it would place the balance of the available self-insurance above $1 billion. (N)

Additionally, wildfire expenses are subject to a deductible equal to 5 percent of up to $1 billion of self-insurance costs for wildfire events that occur each calendar year. The total amount of the deductible will not exceed $50 million annually. (N)

Disposition of the balance in this subaccount is at the end of the 2023 GRC Period. Determining the balance will depend, in part, on a true-up to reflect potential changes as the total amount of self-insurance costs paid for the 2023 GRC Period becomes known and finalized. Because of the lag time between a Wildfire Event and payment of expenses from that event, this true up may extend beyond the end of year 2026. True-up of the balance will be determined through a Tier 2 advice letter process. (L)/(T)

(L)
(L)

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART IN Sheet 3
RISK TRANSFER BALANCING ACCOUNT - ELECTRIC (RTBA-E)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*) (Cont'd)

1. Purpose (Cont'd)

Treatment of Undercollection: Subject to a cap of $300 million per year, the undercollection, plus interest, shall be recovered 40% in 2027; 30% in 2028; and 30% in 2029. To the extent the $300 million per year cap means the full undercollection for the 2023 GRC Period is not fully recovered by the end of 2029, the remainder would be recovered in 2030.

Treatment of Overcollection: Available for self-insurance as part of PG&E's 2027 insurance program with any remainder subject to disposition as the Commission may direct in its decision on PG&E's 2027 GRC Case.

This subacount will remain effective beyond the 2023 GRC Period at least until: (1) the final amounts of expenses paid for Wildfire Events are known; (2) the final amounts of any overcollection or undercollection are known; and (3) PG&E has collected the balance of any undercollection in customer rates through the RTBA or otherwise credited back any overcollection to customers.

2. APPLICABILITY: The RTBA-E applies to all customer classes, except for those schedules or contracts specifically excluded by the Commission.

3. REVISION DATE: Disposition of balances in the subaccounts are included in the above descriptions of the subaccounts.

4. RATES: The RTBA-E does not have a rate component.

5. ACCOUNTING PROCEDURE: The following entries will be made at the end of each month, or as applicable, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense:

THIRD PARTY ELECTRIC DISTRIBUTION SUBACCOUNT:

a) A credit entry equal to one-twelfth of the adopted annual expenses allocated to this subaccount; (T)

b) A debit entry equal to the actual expenses incurred allocated to this subaccount up to the adopted funding annual cap, plus associated actual financial risk transfer expenses; (T)

c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and

d) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART IN Sheet 3
RISK TRANSFER BALANCING ACCOUNT - ELECTRIC (RTBA-E)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*) (Cont'd)

1. Purpose (Cont'd)

Treatment of Undercollection: Subject to a cap of $300 million per year, the undercollection, plus interest, shall be recovered 40% in 2027; 30% in 2028; and 30% in 2029. To the extent the $300 million per year cap means the full undercollection for the 2023 GRC Period is not fully recovered by the end of 2029, the remainder would be recovered in 2030. (N)

Treatment of Overcollection: Available for self-insurance as part of PG&E's 2027 insurance program with any remainder subject to disposition as the Commission may direct in its decision on PG&E's 2027 GRC Case. (N)

This subacount will remain effective beyond the 2023 GRC Period at least until: (1) the final amounts of expenses paid for Wildfire Events are known; (2) the final amounts of any overcollection or undercollection are known; and (3) PG&E has collected the balance of any undercollection in customer rates through the RTBA or otherwise credited back any overcollection to customers. (N)

2. APPLICABILITY: The RTBA-E applies to all customer classes, except for those schedules or contracts specifically excluded by the Commission. (L)

3. REVISION DATE: Disposition of balances in the subaccounts are included in the above descriptions of the subaccounts. (L)

4. RATES: The RTBA-E does not have a rate component. (L)

5. ACCOUNTING PROCEDURE: The following entries will be made at the end of each month, or as applicable, excluding an allowance for Revenue Fees and Uncollectible (RF&U) accounts expense: (L)

THIRD PARTY ELECTRIC DISTRIBUTION SUBACCOUNT: (L)

a) A credit entry equal to one-twelfth of the adopted annual expenses;

b) A debit entry equal to the actual expenses incurred and as allocated to this subaccount up to the reasonableness threshold; (L)

(D)

c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and (T)/(L)

d) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (T)/(L)

(L)
(L)

(Continued)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*) (Cont'd)

5. ACCOUNTING PROCEDURE: (Cont'd)

THIRD PARTY GENERATION SUBACCOUNT:

a) A credit entry equal to one-twelfth of the adopted annual expenses allocated to this subaccount; (T)

b) A debit entry equal to the actual expenses incurred allocated to this subaccount up to the adopted annual funding cap, plus associated actual financial risk transfer expenses; (T)

c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and

d) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

ADDITIONAL NON-WILDFIRE EXPENSES SUBACCOUNT: (T)

a) A debit entry equal to the electric distribution and generation portion of actual expenses incurred above the adopted annual funding cap; (T)

b) An entry to record the transfer of amounts to or from other accounts as approved by the Commission, and

c) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor.

WILDFIRE SELF-INSURANCE SUBACCOUNT:

a) A debit entry equal to the recorded accruals for self-insurance costs. The accrual will be revised to reflect actual expenses, once known;

b) A credit entry equal to one-twelfth of the adopted annual self-insurance funding;

c) A credit entry equal to investment income earned on self-insurance funds, net of applicable fees, as an offset to self-insurance costs;

d) A credit entry equal to 5% of the annual recorded self-insurance liability expenses up to $1 billion as a deductible. The total amount of the deductible will not exceed $50 million annually;

e) A debit entry equal to costs incurred within the self-insured retention in PG&E's commercial policies;

(Continued)

ELECTRIC PRELIMINARY STATEMENT PART IN Sheet 4
RISK TRANSFER BALANCING ACCOUNT - ELECTRIC (RTBA-E)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*) (Cont'd)

5. ACCOUNTING PROCEDURE: (Cont'd)

THIRD PARTY GENERATION SUBACCOUNT: (L)

a) A credit entry equal to one-twelfth of the adopted annual expenses; |

b) A debit entry equal to the actual expenses incurred and as allocated to this subaccount up to the reasonableness threshold; (L)

(D)

c) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and (T)/(L) (L)

d) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (T)/(L) (L)

ADDITIONAL COVERAGE SUBACCOUNT: (L)

a) A debit entry equal to the electric distribution and generation portion of actual expenses incurred to purchase coverage in excess of authorized amounts (i.e. $1.4 billion in coverage). |

b) An entry to record the transfer of amounts to or from other accounts as approved by the Commission, and |

c) An entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (L)

WILDFIRE SELF-INSURANCE SUBACCOUNT: (T)/(L)

a) A debit entry equal to the recorded accruals for self-insurance costs. The accrual will be revised to reflect actual expenses, once known; (T)/(L) (T)/(L)

b) A credit entry equal to one-twelfth of the adopted annual self-insurance funding; (T)/(L)

c) A credit entry equal to investment income earned on self-insurance funds, net of applicable fees, as an offset to self-insurance costs; (N) (N)

d) A credit entry equal to 5% of the annual recorded self-insurance liability expenses up to $1 billion as a deductible. The total amount of the deductible will not exceed $50 million annually; (N) (N)

e) A debit entry equal to costs incurred within the self-insured retention in PG&E's commercial policies; (N) (N)

(Continued)

IN. Risk Transfer Balancing Account – Electric (*RTBA-E*) (Cont'd)

5. ACCOUNTING PROCEDURE: (Cont'd)

WILDFIRE SELF-INSURANCE SUBACCOUNT: (Cont'd)

f) A debit or credit entry equal to unanticipated costs or benefits associated with implementation and operation of the self-insurance program;[2] (N)

g) An entry to record the transfer of amounts to or from other accounts as approved by the Commission; and (L)/(T)

h) A debit entry equal to the interest on the average of the balance in this account at the beginning of the month and the balance in this account after the above entries if the balance is an undercollection at a rate equal to one-twelfth the interest rate on three month Commercial paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor. (L)/(T)

[2] Any amounts recorded the account pursuant this entry will be identified and discussed in Tier 2 advice letter filings, where applicable.