**PACIFIC GAS AND ELECTRIC COMPANY**
**10-Year Electrical Undergrounding Plan (EUP)**
**Data Response**

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| **PG&E Data Request No.:** | TURN_002-Q007 |
| **PG&E File Name:** | EUP-PhI_DR_TURN_002-Q007 |
| **Request Date:** | October 20, 2026 |
| **Requester DR No.:** | 002 |
| **Requesting Party:** | The Utility Reform Network |
| **Requester:** | A Mireille Fall |
| **Date Sent:** | October 23, 2026 |
| **Responsible Person(s):** | Justin Sadler |

## QUESTION 007

Referring to WP006 (Vol. 2, pp. 545–546 and 556–562) and Table 1-2 (Vol. 1, p. 15):

a. For each benefit category (Wildfire, EPSS, PSPS), please state whether the inflation factor "(1 + Inflation Rate)" is applied (i) once, to convert values to 2028 dollars, or (ii) year by year over the benefit period to produce nominal values.

b. Please state which discount rate (7.0% nominal or 4.61% real) was used to calculate each present value in Table 1-2. Please provide the table in Excel with all supporting data and calculations.

c. If benefits were escalated year by year and discounted at the real rate, please explain why this does not overstate present-value benefits. Please restate Table 1-2 using a consistent method.

d. Please provide the annual benefit streams behind Table 1-2, in both nominal and 2028 real dollars, in native Excel format.

## ANSWER 007

a. Annual risk values are first converted from 2025 dollars to 2028 dollars by applying a (1+2.28%) annual inflation factor over the three-year period, along with the applicable climate factor. Once all risks are expressed in 2028 dollars, PG&E calculates the lifetime present value of risk (and therefore benefits) using the real discount rate over the effective life of the asset. Climate factors continue to be applied on a year-by-year basis beyond 2028; however, inflation is not. The 2.28% inflation factor is used only once to establish a common 2028-dollar baseline across all benefit categories, including Wildfire, EPSS, and PSPS. Thereafter, annual climate factors are applied to project future risk levels, while all values remain in constant 2028 dollars and present value calculations are performed using the real discount rate. A 2.28% inflation throughout the years can be used to come up with nominal yearly values. However, the present value calculations use real values and a real discount rate.

b. PG&E utilized the real discount rate of 4.61% to calculate the present values presented in Table 1-2. Please see the tabs "TURN_002-Q007b_(WF_PV)',

"TURN_002-Q007b_(EPSS_PV)", "TURN_002-Q007b_(PSPS_PV)" in "*EUP-PhI_DR_TURN_002-Q007Atch01.xlsx"* for the supporting data, formulas, and calculation steps used to derive the present values used to generate Table 1-2. Total present value of risk is the sum of the three tabs related to Wildfire(WF), EPSS, and PSPS.

c. PG&E did not escalate benefits year by year and then discount them using the real discount rate. Rather, as explained in the response to part (a) above, PG&E first escalated the modeled risk values from 2025 to 2028 to express all benefits in a common 2028-dollar basis. Once the benefits were converted to 2028 dollars, PG&E applied the real discount rate to calculate present values. Because the inflation adjustment was applied only once to establish a consistent 2028 baseline, and not repeatedly over the analysis period, the methodology does not overstate present-value benefits.

d. Please see "*EUP-PhI_DR_TURN_002-Q007Atch01.xlsx*" for the nominal and real dollars breakout of the values in Table 1-2. Note that tabs that show Wildfire Related yearly nominal values and real values are TURN_002-TURN_002-Q007d_(WF_Nominal) and TURN_002-Q007d_(WF_Real) respectively. Similar tab naming conventions for EPSS and PSPS are used. Tab "TURN_002-Q007d_Summary" provides a summary of all present values, nominal values, and real values related to wildfire, PSPS, EPSS and the total risk. The tab also provides an illustrative example that shows how the use of nominal discount rate on nominal values and real discount on real values yields the same annual present value.