Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

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PG & E Corporation' s and the Utility' s financial results can be affected by many factors, including estimates and assumptions used in the critical accounting estimates described in Item 7. MD & A, that can cause their actual financial results to differ materially from historical results or from anticipated future financial results. The following discussion of key risk factors should be considered in evaluating an investment in PG & E Corporation and the Utility and should be read in conjunction with Item 7. MD & A and the Consolidated Financial Statements and related notes in Part II, Item 8, " Financial Statements and Supplementary Data " of this ~~2022~~ **2023** Form 10- K. Any of these factors, in whole or in part, could materially affect PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. Risk Factors Summary The following is a summary of the principal risks that could adversely affect our business, operations, and financial results. These risks are discussed more fully below. Risks related to wildfires, including risks related to: • The extent to which the Wildfire Fund and revised recoverability standard under AB 1054 effectively mitigate the risk of liability for damages arising from catastrophic wildfires; • The 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, the 2022 Mosquito fire, or future wildfires; • Recovery of excess costs in connection with wildfires; and • Implementation of wildfire mitigation initiatives. Risks related to operations and information technology, including risks related to: • The hazardous nature of the Utility' s electricity and natural gas operations; • Changes in the electric power and **natural** gas industries; • A cyber incident, ~~cyber security~~ **cybersecurity** breach, ~~severe natural event~~ or physical attack; • The operation and decommissioning of the Utility' s nuclear generation facilities; and • Attracting and retaining specialty personnel. Risks related to environmental factors, including risks related to: • Severe weather ~~conditions~~ **events** , extended drought and climate change and events resulting from these conditions (including wildfires); and • Extensive environmental laws. Risks related to enforcement matters, investigations, and regulatory proceedings, including risks related to: • The Enhanced Oversight and Enforcement Process; • Legislative and regulatory developments; • Outcomes of enforcement proceedings in connection with extensive regulations to which the Utility is subject; ~~and~~ • Outcomes of regulatory and ratemaking proceedings and the Utility' s ability to manage its costs **; and • Municipalization** . Risks related to financial conditions, including risks related to: • PG & E Corporation' s and the Utility' s substantial indebtedness; • Restrictions in indebtedness documents; • ~~Appeals of the Confirmation Order; •~~ Potential additional dilution to holders of PG & E Corporation common stock ~~; • Any substantial sale of stock by existing stockholders~~ ; • Ownership and transfer restrictions associated with PG & E Corporation common stock; • ~~Tax- related risks and uncertainties, including the grantor trust election for the Fire Victim Trust; •~~ The inability of PG & E Corporation to use some or all of its net operating loss carryforwards and other tax attributes to offset future income ~~; • Restrictions on PG & E Corporation' s and the Utility' s ability to issue dividends~~ ; • PG & E Corporation' s reliance on dividends, distributions and other payments from the Utility; • Restrictions on shareholders' ability to change the direction or management of PG & E Corporation; • ~~The COVID- 19 pandemic; •~~ Increased customer rates; **• The Utility' s ability to manage its costs effectively;** and • Inflation **and supply chain issues** . Risks Related to Wildfires The Wildfire Fund and other provisions of AB 1054 may not effectively mitigate the risk of liability for damages arising from catastrophic wildfires. If the Utility does not have an approved WMP, the Utility will not be issued a safety certification and will consequently not benefit from the presumption of prudency or the AB 1054 disallowance cap. Under AB 1054, the Utility is required to maintain a safety certification issued by the OEIS to be eligible for certain benefits, including a cap on Wildfire Fund reimbursement and a reformed prudent manager standard. The AB 1054 Wildfire Fund disallowance cap, which caps the amount of liability that the Utility could be required to bear for a catastrophic wildfire, is inapplicable if the Wildfire Fund administrator determines that the electric utility company' s actions or inactions that resulted in the applicable wildfire constituted " conscious or willful disregard for the rights and safety of others, " or the electric utility company fails to maintain a valid safety certification at the time the applicable wildfire ignited. In addition, if the Utility fails to maintain a valid safety certification at the time a wildfire ignites, the initial burden of proof in a prudency proceeding shifts from intervenors to the Utility. The Utility will be required to reimburse amounts that are determined by the CPUC not to be just and reasonable. For more information on the disallowance cap, see Note ~~15~~ **14** of the Notes to the Consolidated Financial Statements in Item 8. Furthermore, the Wildfire Fund will only be available for payment of eligible claims so long as there are sufficient funds remaining in the Wildfire Fund. Such funds could be depleted more quickly than expected, including as a result of claims made by California' s other participating electric utility companies. If the Utility is unable to maintain an AB 1054 safety certification or if the Wildfire Fund is exhausted, the inability to access the Wildfire Fund could have a material effect on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. Also, the Utility will not be able to obtain any recovery from the Wildfire Fund for wildfire- related losses in any year that do not exceed the greater of $ 1. 0 billion in the aggregate and the amount of insurance coverage required under AB 1054. The costs of participating in the Wildfire Fund are expected to exceed $ 6. 7 billion over the ~~anticipated~~ ten- year contribution period for the fund. The timing and amount of any potential charges associated with the Utility' s contributions would also depend on various factors. In addition, there could also be a significant delay between the occurrence of a wildfire and the timing on which the Utility recognizes impairment for the reduction in future coverage ~~,~~ due to the lack of data available to the Utility following a catastrophic event, especially if the wildfire occurs in the service area of another participating electric utility. Participation in the Wildfire Fund is expected to have a material impact on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows, and ~~there can be no assurance that~~ the benefits of participating in the Wildfire Fund **may not** ultimately outweigh these substantial costs. PG & E Corporation and the Utility could be liable as a result of the 2019

Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, the 2022 Mosquito fire, or future wildfires. Based on the facts and circumstances available as of the date of this report, PG & E Corporation and the Utility have determined that it is probable they will incur losses in connection with the 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, and the 2022 Mosquito fire. ~~Although~~ PG & E Corporation **' s** and the Utility ~~have~~ **' s** recorded liabilities for probable losses in connection with these fires ~~, these liability estimates~~ correspond to the lower end of the range of reasonably estimable losses **unless there is a better estimate** , do not include several categories of potential damages that are not reasonably estimable, and are subject to change based on new information. **The** ~~Although there are a number of unknown facts surrounding Cal Fire' s causation determinations of the 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, and the 2022 Mosquito fire, the~~ Utility could be subject to significant liability in excess of recoveries that would be expected to have a material impact on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. PG & E Corporation and the Utility have **been** ~~also received and have responded or are responding to document, data, and other~~ -- **the subject of investigations** ~~information requests from the CPUC' s SED~~ , **regulatory** ~~the DOJ, and law~~ enforcement ~~agencies that are investigating these~~ **actions, or criminal proceedings in connection with** wildfires ~~. PG & E Corporation~~ and ~~the Utility~~ could be the subject of additional investigations, **regulatory** ~~lawsuits, or~~ enforcement actions **, or criminal proceedings** in connection with the 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, the 2022 Mosquito fire, or other wildfires. For more information, see Note ~~15~~ **14** of the Notes to the Consolidated Financial Statements in Item 8 ~~. Criminal charges have been filed against the Utility in connection with the 2020 Zogg fire~~ . Under California law (including Penal Code section 1202. 4), if the Utility were convicted of any ~~of the~~ charges **in connection with a wildfire** , the sentencing court must order the Utility to " make restitution to the victim or victims in an amount established by court order " that is " sufficient to fully reimburse the victim or victims for every determined economic loss incurred as the result of " the Utility' s underlying conduct, in addition to interest and the victim' s or victims' attorneys' fees. This requirement for full reimbursement of economic loss is not waivable by either the government or the victims and is not offset by any compensation that the victims have received or may receive from their insurance carriers ~~. If convicted of any of the charges, the Utility currently believes that its total losses associated with the 2020 Zogg fire could materially exceed the accrued estimated liabilities that PG & E Corporation and the Utility have recorded to reflect the lower end of the range of the reasonably estimable range of losses. The Utility is unable to determine a reasonable estimate of the amount of such additional losses. The Utility does not expect that any of its liability insurance would be available to cover restitution payments ordered by the court presiding over the criminal proceeding~~ . There have been numerous other wildfires in the Utility' s service area, of which the Utility has not been alleged or determined to be a cause. The Utility could be alleged or determined to be a cause of one or more of these wildfires. Additionally, under the doctrine of inverse condemnation, courts have imposed liability against utilities on the grounds that losses borne by the person whose property was damaged through a public- use undertaking should be spread across the community that benefited from such undertaking, even if the utility is unable to recover these costs through rates. In fact, in December 2017, the CPUC denied recovery of costs that San Diego Gas & Electric Company stated it had incurred as a result of the doctrine of inverse condemnation. Legal challenges to that denial were unsuccessful. Plaintiffs have asserted and continue to assert the doctrine of inverse condemnation in lawsuits related to certain wildfires that occurred in the Utility' s service area. Inverse condemnation imposes strict liability (including liability for attorneys' fees) for damages as a result of the design, construction and maintenance of utility facilities, including utilities' electric transmission lines. **The** ~~While the~~ Utility continues to dispute the applicability of inverse condemnation to the Utility, **but** ~~there~~ -- **the** ~~can be~~ **Utility may** ~~no~~ **not** ~~assurance that the Utility will~~ be successful in challenging the applicability of inverse condemnation in the 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, the 2022 Mosquito fire, or other litigation against PG & E Corporation or the Utility. Although the Utility has taken extensive measures to reduce the threat of future wildfires, the potential that the Utility' s equipment will be involved in the ignition of future wildfires, including catastrophic wildfires, is significant. This risk may be attributable to, and exacerbated by, a variety of factors, including climate (in particular, extended periods of seasonal dryness coupled with periods of high wind velocities and other storms), infrastructure, and vegetation conditions. ~~Despite~~ **The Utility' s** significant **infrastructure** investment **,** ~~in mitigation measures to improve infrastructure and manage~~ vegetation **management** , **and** ~~as well as implementation of~~ de- energization strategies ~~, the Utility~~ **do not eliminate wildfire risk and** may not **prevent** ~~be successful in mitigating the risk of~~ future wildfires. Once an ignition has occurred, the Utility is unable to control the extent of damages. The extent of damages for a wildfire is primarily determined by environmental conditions (including weather and vegetation conditions), third- party suppression efforts, and the location of the wildfire. In addition, wildfires have had and could continue to have (as a result of any future wildfires) adverse consequences on the Utility' s proceedings with the CPUC ~~(including the Safety Culture OII)~~ and the FERC, and future regulatory proceedings, including future applications with the OEIS for the safety certification required by AB 1054. PG & E Corporation and the Utility may also suffer additional reputational harm and face an even more challenging operating, political, and regulatory environment as a result of the 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, the 2022 Mosquito fire, or any future wildfires. For more information about the 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, and the 2022 Mosquito fire, see Note ~~15~~ **14** of the Notes to the Consolidated Financial Statements in Item 8. The Utility may be unable to recover all or a significant portion of its costs in excess of insurance coverage in connection with wildfires, through rates, or from the Wildfire Fund in a timely manner. The Utility could incur substantial costs in excess of insurance coverage or amounts potentially available under the Wildfire Fund under AB 1054 in the future in connection with the 2019 Kincade fire, the 2020 Zogg fire, the 2021 Dixie fire, and the 2022 Mosquito fire. ~~There~~ -- **The** ~~can be~~ **Utility may** ~~no~~ **not** ~~assurance that the Utility will~~ be allowed to recover costs in excess of insurance or amounts potentially available under the Wildfire Fund under AB 1054 in the future either through FERC TO rates or as costs recorded to the WEMA, even if a court decision were to determine that the Utility is liable as a result of the application of the doctrine of inverse condemnation. The inability to recover all or a significant portion of costs in excess of insurance through rates or by collecting such rates in a timely manner could have a material effect on PG & E Corporation’ s and the Utility’ s financial condition, results of operations, liquidity, and cash flows. For more information on wildfire recovery risk, see “ The Wildfire Fund and other provisions of AB 1054 may not effectively mitigate the risk of liability for damages arising from catastrophic wildfires ” above and Note ~~15~~ **14** of the Notes to the Consolidated Financial Statements in Item 8. The Utility may not effectively implement its wildfire mitigation initiatives. The Utility’ s infrastructure is aging and poses risks to safety and system reliability. **The** ~~Although the~~ Utility ~~spends significant resources on~~ **’ s wildfire mitigation** initiatives **may** ~~designed to mitigate wildfire risks, there is no~~ **not** ~~assurance that these initiatives will~~ be successful or effective in **preventing or** reducing wildfire- related losses. The Utility will face a higher likelihood of catastrophic wildfires in its service area if it cannot effectively implement these efforts and its WMPs. For example, the Utility may not be able to effectively implement its WMPs if it experiences unanticipated difficulties relative to sourcing, engaging, training, overseeing, ~~and~~ **or** retaining contract workers it needs to fulfill its mitigation obligations under the WMPs. The CPUC will assess penalties on the Utility if there is a finding that the Utility has failed to substantially comply with its WMPs. ~~There~~ **Wildfires** can **occur even when** ~~be no assurance that~~ the Utility **follows its procedures** ~~’ s wildfire mitigation initiatives will be effective~~ . For instance, a wildfire may be ignited and spread even in conditions that do not trigger proactive de- energization according to criteria for initiating a PSPS event or where EPSS has been implemented on Utility equipment. The Utility’ s inspections of vegetation near its assets may not detect structural weaknesses within a tree or other issues. If the Utility’ s wildfire mitigation initiatives are not effective, a wildfire could be ignited and spread ~~. The PSPS program has been subject to significant scrutiny and criticism by various stakeholders, including customers, regulators, and lawmakers. The Utility also is the subject of a class action litigation in connection with the 2019 PSPS events~~ . In addition, on a risk- informed basis, the Utility is making efforts to reduce the frequency and impacts of PSPS. The Utility may be subject to mandated changes to, or restrictions on, its operational practices, regulatory fines and penalties, claims for damages, and reputational harm if the Utility does not execute PSPS in compliance with applicable rules and regulations. The Utility establishes the criteria under which it implements PSPS in its territory. To the extent the Utility’ s criteria for implementing PSPS are not sufficient to mitigate the risk of wildfires, the Utility does not fully implement PSPS when criteria are met due to other overriding conditions or the Utility’ s regulators mandate changes to, or restrictions on, its criteria or other operational PSPS practices, the Utility will face a higher likelihood of catastrophic wildfires in its territory during high- risk weather conditions. PG & E Corporation and the Utility cannot predict the timing and outcome of the various proceedings and litigation in connection with its wildfire mitigation initiatives. PG & E Corporation and the Utility could be subject to additional investigations, regulatory proceedings, or other enforcement actions as well as to additional litigation and claims by customers as a result of the Utility’ s implementation of its wildfire mitigation initiatives, which could result in fines, penalties, customer rebates, other payments, or the Utility’ s failure to obtain cost recovery for amounts expended on these initiatives. The amount of any fines, penalties, customer rebates or other payments (if PG & E Corporation or the Utility were to issue any credits, rebates or other payments in connection with any other wildfire mitigation initiatives or liability for damages) could have a material effect on PG & E Corporation’ s and the Utility’ s financial condition, results of operations, liquidity, and cash flows. In addition, the PSPS and EPSS programs have had an adverse impact on PG & E Corporation’ s and the Utility’ s reputation with customers, regulators and policymakers and future PSPS events and EPSS outages may increase these negative perceptions. For more information, see “ Regulatory Matters ” in Item 7. MD & A. Risks Related to Operations and Information Technology The Utility’ s electricity and natural gas operations are inherently hazardous and involve significant risks. The Utility owns and operates extensive electricity and natural gas facilities, including two nuclear generation units and an extensive hydroelectric generating system. See “ Electric Utility Operations ” and “ Natural Gas Utility Operations ” in Item 1 ~~.~~ above. The Utility undertakes substantial capital investment projects to construct, replace, and improve its electricity and natural gas facilities. In addition, the Utility is obligated to decommission its electricity generation facilities at the end of their useful operating lives. For more information, see “ The operation and decommissioning of the Utility’ s nuclear generation facilities expose it to potentially significant liabilities **,** and the Utility may not be able to fully recover its costs if regulatory requirements or operating conditions change or the facilities cease operations before the licenses expire ” below. The Utility’ s ability to efficiently construct, maintain, operate, protect, and decommission its facilities, and provide electricity and natural gas services safely and reliably is subject to numerous risks, ~~many~~ **some** of which are beyond the Utility’ s control, including those that arise from: • the breakdown ~~or~~ **,** failure of **, or supply challenges with** equipment, electric transmission or distribution lines, or natural gas transmission and distribution pipelines or other assets or group of assets, that can cause explosions, fires, public or workforce safety issues, large scale system disruption **,** or other catastrophic events; • an overpressure event occurring on natural gas facilities due to equipment failure, incorrect operating procedures or failure to follow correct operating procedures, or welding or fabrication- related defects, that results in the failure of downstream transmission pipelines or distribution assets and uncontained natural gas flow; • the failure to maintain adequate capacity to meet customer demand on the gas system that results in customer curtailments, controlled or uncontrolled gas outages, gas surges back into homes, serious personal injury or loss of life; • a **significant** prolonged ~~statewide~~ electrical black- out that results in damage to the Utility’ s equipment or **losses for** ~~damage to property owned by~~ customers or other third parties; • the failure to fully identify, evaluate, and control workplace hazards that result in serious injury or loss of life for employees, contractors, or the public, environmental damage, or reputational damage; • the release of radioactive materials caused by a nuclear accident, seismic activity, natural disaster, or terrorist act; • the failure of a large dam or other major hydroelectric facility, or the failure of one or more levees that protect land on which the Utility’ s assets are built; • the failure to take expeditious or sufficient action to mitigate operating conditions, facilities, or equipment, that the Utility has identified, or reasonably should have identified, as unsafe, which failure then leads to a catastrophic event (such as a wildfire or natural gas explosion); • inadequate emergency preparedness plans and the failure to respond effectively to a catastrophic event that can lead to public or employee harm or extended outages; • operator or other human error; • a motor vehicle or aviation incident involving a Utility vehicle or aircraft, respectively (or one operated on behalf of the Utility) resulting in serious injuries to or fatalities of the workforce or the public, property damage, or other consequences; • an ineffective records management program that results in the failure to construct, operate and maintain a utility system safely and prudently; • construction performed by third parties that damages the Utility' s underground or overhead facilities, including, for example, ground excavations or " dig-ins " that damage the Utility' s underground pipelines, the risk of which may be exacerbated if the Utility does not have an effective contract management system; • the release of hazardous or toxic substances into the air, water, or soil, including, for example, gas leaks from natural gas storage facilities; flaking lead- based paint from the Utility' s facilities **;** ~~, and~~ leaking or spilled insulating fluid from electrical equipment **; and release of contaminants caused by the failure of battery energy storage systems** ; and • attacks by third parties, including cyber- attacks, acts of terrorism, vandalism, or war. For more information, see " The Utility' s operational networks and information technology systems could be impacted by a cyber incident, ~~cyber security~~ **cybersecurity** breach, ~~severe natural event~~ or physical attack " below. The occurrence of any of these events could interrupt fuel supplies, affect demand for electricity or natural gas, cause unplanned outages or reduce generating output, damage the Utility' s assets or operations, damage the assets or operations of third parties on which the Utility relies, damage property owned by customers or others, and cause personal injury or death. As a result, the Utility could incur costs to purchase replacement power, to repair assets and restore service, and to compensate third parties. Any such incidents also could lead to significant claims against the Utility. Further, the Utility often enters into agreements for third- party contractors to perform work, such as patrolling and inspection of facilities, vegetation management, or the construction or demolition or facilities, and the Utility may have less control over contractors than its employees. The Utility may retain liability for the quality and completion of the contractor' s work and can be subject to penalties or other enforcement action if the contractor violates applicable laws, rules, regulations, or orders. The Utility may also be subject to liability, penalties or other enforcement action as a result of personal injury or death caused by third- party contractor actions or inactions. Insurance, equipment warranties, or other contractual indemnification requirements may not be sufficient or effective to provide full or even partial recovery under all circumstances or against all hazards or liabilities to which the Utility may become subject. An uninsured loss could have a material effect on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. The electric power and **natural** gas industries are undergoing significant changes driven by technological advancements and a decarbonized economy **, which could lead to the reduction in demand for natural gas as an energy resource that could impact the Utility' s ability to recover through rates its investment** . The electric power industry is undergoing transformative change driven by technological advancements enabling customer choice and state climate policy supporting a decarbonized economy. California utilities also are experiencing increasing deployment by customers and third parties of distributed energy resources, such as on- site solar generation, electric vehicles, ~~energy~~ **electric heat pump space conditioning and water heating, battery electric** storage, fuel cells, energy efficiency, and demand response technologies. These developments will require **further modernization of the electric distribution grid to, among other things, accommodate increasing two- way flows of electricity and increase the grid' s capacity to interconnect these resources. In addition, enabling California' s clean energy transition will require** sustained investments in grid modernization, renewable **energy** integration projects, energy efficiency programs, energy storage options, electric vehicle infrastructure **,** and state infrastructure modernization (e. g., rail and water projects). The Utility may be unable to effectively adapt to these potential business and regulatory changes, for instance by failing to meet customer demand for new business interconnections in a timely manner. The CPUC is also conducting proceedings to evaluate changes to the planning and operation of the electric distribution grid in order to prepare for higher penetration of distributed energy resources and consider future grid modernization and grid reinforcement investments; evaluate if traditional grid investments can be deferred by distributed energy resources, and if feasible, what, if any, compensation to utilities would be appropriate for enabling those investments; and clarify the role of the electric distribution grid operator. If the Utility is unable to effectively adapt to these potential business and regulatory changes its business model and its ability to execute on its strategy could be materially impacted. Various jurisdictions within California have enacted prohibitions or restrictions on use and consumption of natural gas, for example in buildings, that will reduce the use of natural gas. Reducing natural gas use **reduces** ~~could lead to a reduction in~~ the gas customer base and ~~a~~ **could** ~~diminished~~ -- **diminish the** need for gas infrastructure and, as a result, could lead to certain gas assets no longer being " used and useful, " potentially causing substantial investment value of gas assets to be stranded (under CPUC precedent, when an asset no longer meets the standard of " used and useful, " the asset is removed from rate base, which results in a reduction in associated rate recovery). **A substantial reduction in natural gas as an energy source in California without adequate and appropriate recovery of investments could result in impairment of the Utility' s natural gas infrastructure assets if they were not permitted to be repurposed for alternative fuels, were required to be depreciated on an accelerated basis, or were to become stranded.** However, ~~while~~ **even as** natural gas demand is projected to decline over time, the costs of operating a safe and reliable gas delivery system in California have been increasing, among other things, to cover the cost of long- term pipeline safety enhancements. **If** ~~Inability by~~ the Utility **is unable** to recover through rates its investments into the natural gas system while still ensuring gas system safety and reliability **, its** ~~could materially affect the Utility' s~~ financial condition, results of operations, liquidity, and cash flows **could be materially affected** . These industry changes, costs associated with complying with new regulatory developments and initiatives and with technological advancements, or the Utility' s inability to successfully adapt to changes in the electric and gas industry, could materially affect the Utility' s financial condition, results of operations, liquidity, and cash flows. The Utility' s operational networks and information technology systems could be impacted by a cyber incident, ~~cyber security~~ **cybersecurity** breach ~~, severe natural event~~ , or physical attack. The Utility' s electricity and natural gas systems rely on a complex, interconnected network of generation, transmission, distribution, control, and communication technologies, which can be damaged by natural events- such as severe weather or seismic events ~~–~~ and by malicious events, such as **physical and** cyber **attacks. Nationally, there has been** ~~and~~ - **an increase in** physical attacks **on substations** . **Physical attacks targeting** ~~Private and public entities, such as~~ the ~~North American Electric Reliability~~ **Utility' s physical assets or**

personnel could cause damage, disrupt ~~Corporation~~ -- **operations** , ~~and the U~~ **or cause injuries** . ~~S. federal government, including the Departments of Defense, Homeland Security and Energy, and the White House, have noted that cyber~~ **Cyber -** attacks targeting utility systems are **significant and are continuing to** ~~increasing~~ **increase** in sophistication, magnitude, and frequency ~~. The Utility’ s operational networks also may face new cyber security risks due to modernizing and interconnecting the existing infrastructure with new technologies and control systems~~ . Any failure **, interruption,** or decrease in the functionality of the Utility’ s operational networks could cause harm to the public or employees, significantly disrupt operations, negatively impact the Utility’ s ability to safely generate, transport, deliver and store energy and gas or otherwise operate in **a** ~~the most~~ safe and efficient manner or at all, and damage the Utility’ s assets or operations or those of third parties. The Utility also relies on complex information technology systems that allow it to create, collect, use, disclose, store and otherwise process sensitive information, including the Utility’ s financial information, customer energy usage and billing information, and personal information regarding customers, employees and their dependents, contractors, and other individuals **, and portions of such sensitive information may be required to be encrypted by the Utility. In addition, the Utility is increasingly being required to disclose large amounts of data (including customer energy usage and personal information regarding customers) to support changes to California’ s electricity market related to grid modernization and customer choice** . The Utility often relies on third- party vendors to host, maintain, modify, and update its systems **(including providing security updates)** , and to provide other services to the Utility or the Utility’ s customers ~~. In addition, the Utility is increasingly being required to disclose large amounts of data (including customer energy usage and personal information regarding customers) to support changes to California’ s electricity market related to grid modernization and customer choice~~ . These third- party vendors could cease to exist, fail to ~~establish~~ **adopt and implement** adequate processes to protect the Utility’ s systems and information **, fail to provide timely software updates (and even if timely provided, there could be a delay in the installation of the updates), fail to detect security vulnerabilities** , or experience security incidents or inadequate security measures. Any **such** incidents or disruptions in the Utility’ s information technology systems could impact the Utility’ s ability to track or collect revenues and to maintain effective internal controls over financial reporting. **PG & E Corporation and the Utility face various cybersecurity threats, including attempts to gain unauthorized access to their systems and networks, denial- of- service attacks, threats to their information technology infrastructure, ransomware and phishing attacks, and attempts to gain unauthorized access to confidential or sensitive information about the Utility, customers and employees.** ~~The~~ **These threats come from a variety of highly organized actors, including nation- state actors. PG & E Corporation, the** Utility and ~~its~~ **their** third- party vendors have been subject to, and will likely continue to be subject to, **threats,** breaches and attempts to gain unauthorized access to the Utility’ s information technology systems or confidential **or sensitive** data (including information about customers and employees), or to disrupt the Utility’ s operations. **The** ~~None of these breaches or attempts has individually or in the aggregate resulted in a security incident with a material effect on PG & E Corporation’ s and the~~ Utility **may** ~~’ s financial condition, results of operations, liquidity, and cash flows. Despite implementation of security and control measures, there can be no~~ **not** ~~assurance that the Utility will~~ be able to prevent unauthorized access to its operational networks, information technology systems or data, or the disruption of its operations. Such events could subject the Utility to significant expenses, claims by customers or third parties, government inquiries, penalties for violation of applicable privacy laws, investigations, **lawsuits,** and regulatory actions ~~that~~ **and** could result in material fines ~~and~~ **,** penalties, loss of customers **,** and harm to PG & E Corporation’ s and the Utility’ s reputation, any of which could have a material effect on PG & E Corporation’ s and the Utility’ s **business strategy,** financial condition, **or** results of operations **. For more information** , ~~liquidity, and cash flows~~ **see Item 1C. Cybersecurity** . The Utility maintains cyber liability insurance that covers certain **losses and** damages caused by cyber incidents ~~. However~~ , **but** ~~there is no assurance that~~ adequate insurance ~~will~~ **may not** continue to be available at rates the Utility believes are reasonable **,** or ~~that~~ the costs of responding to and recovering from a cyber incident ~~will~~ **may not** be covered by insurance or recoverable through rates. The operation and decommissioning of the Utility’ s nuclear generation facilities expose it to potentially significant liabilities, and the Utility may not be able to fully recover its costs if regulatory requirements or operating conditions change or the facilities cease operations before the licenses expire. The operation of the Utility’ s nuclear generation facilities exposes it to potentially significant liabilities from environmental, health, and financial risks, such as risks relating to operation of the Diablo Canyon nuclear generation units as well as the storage, handling, and disposal of spent nuclear fuel, and the release of radioactive materials caused by a nuclear accident, seismic activity, natural disaster, or terrorist act. If the Utility incurs losses that are either not covered by insurance or exceed the amount of insurance coverage available, such losses could have a material effect on PG & E Corporation’ s and the Utility’ s financial condition, results of operations, liquidity, and cash flows. In addition, the Utility may be required under federal law to pay up to $ 275 million of liabilities arising out of each nuclear incident occurring not only at the Utility’ s Diablo Canyon facility but at any other nuclear power plant in the United States. The Utility continues to face public concern about the safety of nuclear generation and nuclear fuel. Some of these nuclear opposition groups regularly file petitions at the NRC and in other forums challenging the actions of the NRC and urging governmental entities to adopt laws or policies in opposition to nuclear power. ~~Although~~ **Even if** an action in opposition ~~may~~ ultimately ~~fail~~ **fails** , regulatory proceedings may take longer to conclude and be more costly to complete. It is also possible that public pressure could grow leading to adverse changes in legislation, regulations, orders, or their interpretation. As a result, operations at the Utility’ s two nuclear generation units at Diablo Canyon could cease before their respective current licenses expire in 2024 and 2025 or prior to the expiration of any renewed license and extended operations period. In such an instance, the Utility could be required to record a charge for the remaining amount of its unrecovered investment and such charge could have a material effect on PG & E Corporation’ s and the Utility’ s financial condition, results of operations, liquidity, and cash flows. **In addition** ~~If Diablo Canyon is retired by 2025~~ , in order to retain highly skilled personnel necessary to safely operate Diablo Canyon during the remaining years of operations, the Utility will incur costs in connection with (i) an employee retention program to ensure adequate staffing levels at Diablo Canyon, and (ii) an employee retraining and development program, to facilitate redeployment of a portion of Diablo Canyon personnel to the decommissioning project and elsewhere in the Utility. ~~There~~ -- **The** ~~can be~~ **Utility may** ~~no~~ **not** ~~assurance that the Utility will~~ be successful in retaining highly skilled personnel under its employee programs. The Utility is pursuing the extension of operations at Diablo Canyon through no later than 2030. If Diablo Canyon enters extended operations, the Utility will face operational challenges resulting from a shortened planning period. For instance, the Utility may be unable to procure an adequate supply of nuclear fuel. For more information, see " Extension of Diablo Canyon Operations " under " **Other** ~~Legislative and~~ Regulatory ~~Initiatives~~ **Proceedings** " in Item 7. MD & A. The Utility has incurred, and may continue to incur, substantial costs to comply with NRC regulations and orders. See " Regulatory Environment " in Item 1. Business above. If the Utility were unable to recover these costs, PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows could be materially affected. The Utility may determine that it cannot comply with the new regulations or orders in a feasible and economic manner and voluntarily cease operations; alternatively, the NRC may order the Utility to cease operations until the Utility can comply with new regulations, orders, or decisions. The Utility may incur a material charge if it ceases operations at Diablo Canyon' s two nuclear generation units before their respective current licenses expire in 2024 and 2025. As of December 31, ~~2022~~ **2023** , the Utility' s unrecovered investment in Diablo Canyon was $ ~~840~~ **595** million. The Utility also has an obligation to decommission its electricity generation facilities, including its nuclear facilities, as well as gas transmission system assets, at the end of their useful lives. See " Asset Retirement Obligations " in Note ~~3~~ **2** of the Notes to the Consolidated Financial Statement in Item 8. The Utility' s costs to decommission its nuclear facilities through nuclear decommissioning are subject to reasonableness review by the CPUC. The Utility will be responsible for any costs that the CPUC determines were not reasonably incurred ~~. If the Utility' s actual decommissioning costs~~ , **which could materially affect** ~~including the amounts held in the nuclear decommissioning trusts, exceed estimated costs,~~ PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows ~~could be materially affected~~ . The Utility may be unable to attract and retain specialty personnel **and may face workforce disruptions** . The Utility' s workforce is aging, and many employees are or will become eligible to retire within the next few years. **The** ~~Although the~~ Utility ~~has undertaken~~ **' s** efforts to recruit and train new field service personnel **may be ineffective** , **and** the Utility may be faced with a shortage of experienced and qualified personnel in certain specialty operational positions. Additionally, the Utility could experience ~~labor~~ **workforce** disruptions from personnel in those positions **as a result of labor activity, the COVID- 19 pandemic or other pandemics, or governmental regulation of pandemic protections** . If the Utility were to experience such a shortage or disruptions, work stoppages could occur. Any such occurrences could materially affect PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. Risks Related to Environmental Factors Severe weather ~~conditions~~ **events** , extended drought, and climate change could materially affect PG & E Corporation and the Utility. Extreme weather, drought and shifting climate patterns have intensified the challenges associated with many of the other risks facing PG & E Corporation and the Utility, particularly wildfire management in California. The Utility' s service area encompasses some of the most densely forested areas in California and, as a consequence, is subject to higher risk from vegetation- related ignition events than other California IOUs. Further, environmental extremes, such as drought conditions and extreme heat followed by periods of wet weather, can drive additional vegetation growth (which can then fuel fires) and influence both the likelihood and severity of extraordinary wildfire events. In particular, the risk posed by wildfires, including during the recent wildfire seasons, has increased in the Utility' s service area as a result of an ongoing extended period of drought, bark beetle infestations in the California forest, and wildfire fuel increases due to rising temperatures and record rainfall following the drought, and strong wind events, among other environmental factors. **Precipitation patterns in** ~~As of December 31, 2022, more than 81 % of~~ California ~~is experienceing~~ **vary significantly from year to year, often leading to periods of** severe to extreme drought. ~~Moderate or severe drought~~ **Drought** conditions **often** occur and can persist in ~~virtually~~ **nearly** all of the Utility' s service area **depending on the amount of precipitation received in the current or previous water years** . More than half of the Utility' s service area is in an HFTD. Contributing factors other than environmental can include local land use policies and historical forestry management practices. The combined effects of extreme weather and climate change also impact this risk. In January 2018, the CPUC approved a statewide fire- threat map that shows that approximately half of the Utility' s service area is facing " elevated " or " extreme " fire danger. Approximately 25, 000 circuit miles of the Utility' s nearly 80, 000 distribution overhead circuit miles and approximately 5, 500 miles of the nearly 18, 000 transmission overhead circuit miles are in such HFTDs, significantly more in total than other California IOUs. Severe weather events and other natural disasters, including wildfires and other fires, storms, tornadoes, floods, extreme heat events, drought, earthquakes, lightning, tsunamis, rising sea levels, pandemics, solar events, electromagnetic events, wind events or other weather- related conditions, climate change, or natural disasters, could result in severe business **or operational** disruptions, prolonged power outages, property damage, injuries and loss of life, significant decreases in revenues and earnings, and significant additional costs to PG & E Corporation and the Utility. Any such event could have a material effect on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. Any such event also could lead to significant claims against the Utility. Further, these events could result in regulatory penalties and disallowances, particularly if the Utility encounters difficulties in restoring power to its customers on a timely basis or if the related losses are found to be the result of the Utility' s practices or the failure of electric and other equipment of the Utility. Further, the Utility has been studying the potential effects of climate change (increased severity and frequency of storm events, sea level rise, land subsidence, change in temperature extremes, changes in precipitation patterns and drought, and wildfire) on its assets, operations, and services, and the Utility is developing adaptation plans to set forth a strategy for those events and conditions that the Utility believes are most significant. Consequences of these climate- driven events may vary widely and could include increased stress on the energy supply network due to new patterns of demand, reduced hydroelectric output, physical damage to the Utility' s infrastructure, higher operational costs, and an increase in the number and duration of customer outages and safety consequences for both employees and customers. As a result, the Utility' s hydroelectric generation could change, and the Utility would need to consider managing or acquiring additional generation. If the Utility increases its reliance on conventional generation resources to replace hydroelectric generation and to meet increased customer demand, it may become more costly for the Utility to comply with GHG emissions limits. In addition, climate hazards such as heatwaves, windstorms, and flooding caused by rising sea levels and extreme storms could damage the Utility' s facilities, including gas, generation, and electric transmission and distribution assets. The Utility could incur substantial costs to repair or replace facilities, restore service, or compensate customers and other third parties for damages or injuries **, or regulators could order the Utility to perform additional work** . The Utility anticipates that the increased costs would **generally** be recovered through rates, but as rate pressures increase, the likelihood of disallowance or non- recovery may increase. See " ~~Rising~~ **Concerns about high** rates for the Utility' s customers could **negatively impact PG & E Corporation' s and the Utility' s financial condition,** ~~result~~ **results of operations, liquidity, and cash flows** ~~in circumstances in which the Utility is unable to fully recover costs or earn its authorized ROE~~ " below. Events or conditions caused by climate change could have a material impact on the Utility' s operations and could result in lower revenues or increased expenses, or both. If the CPUC fails to adjust the Utility' s rates to reflect the impact of events or conditions caused by climate change, PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows could be materially affected. The Utility' s operations are subject to extensive environmental laws, and such laws could change. The Utility has been in the past, and may be in the future, required to pay for environmental remediation costs at sites where it is **or may be** identified as a potentially responsible party under federal and state environmental laws. ~~Although~~ **These costs can be difficult to estimate due to uncertainties about the extent of contamination, emerging contaminants, remediation alternatives, the applicable remediation levels, and the financial ability of** ~~the~~ **other potentially responsible parties, and the** Utility ~~has~~ **' s** recorded liabilities for known environmental obligations **may not accurately** ~~, these costs can be difficult to~~ estimate **its losses** ~~due to uncertainties about the extent of contamination, remediation alternatives, the applicable remediation levels, and the financial ability of other potentially responsible parties~~ . For more information, see Note ~~16~~ **15** of the Notes to the Consolidated Financial Statements in Item 8. Environmental remediation costs could increase in the future as a result of new legislation **or regulation** , the current trend toward more stringent standards, or stricter and more expansive application of existing environmental regulations. Failure to comply with these laws and regulations, or failure to comply with the terms of licenses or permits issued by environmental or regulatory agencies, could expose the Utility to claims by third parties or the imposition of civil or criminal fines or other sanctions. The CPUC has authorized the Utility to recover its environmental remediation costs for certain sites through various ratemaking mechanisms. One of these mechanisms allows the Utility rate recovery for 90 % of its hazardous substance remediation costs for certain approved sites without a reasonableness review. The CPUC may discontinue or change these ratemaking mechanisms in the future, or the Utility may incur environmental costs that exceed amounts the CPUC has authorized the Utility to recover through rates. Some of the Utility' s environmental costs, such as the remediation costs associated with the Hinkley natural gas compressor site, are not recoverable through rates or insurance. See " Environmental Regulation " in Item 1 ~~,~~ and Note ~~16~~ **15** of the Notes to the Consolidated Financial Statements in Item 8. The Utility' s costs to remediate groundwater contamination near the Hinkley natural gas compressor site and to abate the effects of the contamination, changes in estimated costs, and the extent to which actual remediation costs differ from recorded liabilities have had, and may continue to have, a material effect on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. Risks Related to Other Enforcement Matters, Investigations, and Regulatory Proceedings PG & E Corporation and the Utility are subject to the Enhanced Oversight and Enforcement Process. The EOEP is a six- step process with potentially escalating CPUC oversight and enforcement measures based on specific " triggering events " identified for each of the six steps. If the Utility is placed into the EOEP, it will be subject to additional reporting requirements and additional monitoring and oversight by the CPUC. Higher steps of the process (steps 3 through 6) also contemplate additional enforcement mechanisms, including appointment of an independent third- party monitor, appointment of a chief restructuring officer, pursuit of the receivership remedy, and review of the Utility' s Certificate of Public Convenience and Necessity (i. e., its license to operate as a utility). The process contains provisions for the Utility to cure and exit the process if it can satisfy specific criteria. The EOEP states that the Utility should presumptively move through the steps of the process sequentially, but the CPUC may place the Utility into the appropriate step of the process upon occurrence of a specified triggering event. PG & E Corporation and the Utility could **incur significant costs to comply with laws and regulations and** be ~~materially~~ **adversely** affected by legislative and regulatory developments. The Utility and its operations are subject to extensive federal, state, and local laws, regulations, and orders. The Utility incurs significant capital, operating, and other costs associated with compliance with these rules. These rules could change, which could change the Utility' s compliance obligations and the costs to comply with these rules. Non- compliance with these rules could result in the imposition of material fines on PG & E Corporation and the Utility, other regulatory exposure, significant litigation, and reputational harm, which could materially affect PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows could be materially affected if the Wildfire Fund does not effectively mitigate the financial risk of liability for damages arising from catastrophic wildfires where the Utility' s facilities are a substantial cause. See " The Wildfire Fund and other provisions of AB 1054 may not effectively mitigate the risk of liability for damages arising from catastrophic wildfires. " above. Privacy In June 2018, the State of California enacted the **California Consumer Privacy Act of 2018 (the "** CCPA **")** , which went into effect on January 1, 2020, with a 12- month look- back period requiring compliance by January 1, 2019. The ~~State of California announced enacted regulations in August 2020 and March 2021 which provide guidance on the requirements of the CCPA. The~~ CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. The CCPA provides for financial penalties in the event of non- compliance and statutory damages in the event of a data security breach. On November 3, 2020, Californians voted to approve Proposition 24, a ballot measure that ~~creates~~ **created** the California Privacy Rights Act (the " CPRA "), which amended and expanded the CCPA. The State of California enacted the CPRA in November 2020, with most provisions operative as of January 1, 2023 and applicable to personal information collected beginning January 1, 2022. Final CPRA regulations are in development. Failure to comply with the CCPA and the CPRA could result in litigation, audits, and the imposition of material fines on PG & E Corporation and the Utility. Additionally, PG & E Corporation and the Utility collect and retain certain personal information of their customers, shareholders, and employees in connection with their business. ~~Although~~ PG & E Corporation **' s** and the Utility ~~invest in~~ **' s** risk management and information security measures **may be ineffective** , **and** the personal information that they collect, as well as other commercially- sensitive data that they possess, could become compromised because of certain events, including a cyber incident, the insufficiency or failure of such measures, human error, the misappropriation of data, or the occurrence of any of the foregoing at any third party with which PG & E Corporation or the Utility has shared information. If any of these events were to transpire, it could subject PG & E Corporation and the Utility to financial liability. PG & E Corporation and the Utility are subject to federal and state privacy laws, which grant consumers rights and protections, including, among other things, the ability to opt out of receiving certain communications and certain data sharing with third parties. The environmental rules to which the Utility' s operations are subject relate to air quality, water quality and usage, remediation of hazardous substances, and the protection and conservation of natural resources and wildlife. Also, SB 100 (the 100 Percent Clean Energy Act of 2018) increased the percentage from 50 % to 60 % of California' s electricity portfolio that must come from renewables by 2030; and established state policy that 100 % of all retail electricity sales must come from renewable portfolio standard- eligible or carbon- free resources by 2045. Failure to comply with SB 100 could result in fines imposed on PG & E Corporation and the Utility that could be material. The Utility **develops its capital plans based on forecasts, including those around load growth, gas system planning, and transportation electrification, which assume that California continues to pursue consistent environmental policies. If the federal government withdraws its support for grid modernization or prohibits California from pursuing its environmental policies, or if California changes its policies, PG & E Corporation and the Utility may be unable to meet their environmental and financial goals. The Utility** is subject to extensive regulations and ~~the risk of~~ enforcement proceedings in connection with compliance with such regulations **could result in penalties** . The Utility is subject to extensive regulations, including federal, state, and local energy, environmental and other laws and regulations, and the risk of enforcement proceedings in connection with compliance with such regulations. The Utility could incur material charges, including fines and other penalties, in connection with ~~the Safety Culture OII (as defined in " Order Instituting an Investigation into PG & E Corporation' s and the Utility' s Safety Culture " under " Regulatory Matters " in Item 7. MD & A) and other~~ matters that the CPUC' s SED may ~~be investigating~~ **investigate** . The SED ~~could~~ **can** launch investigations at any time on any issue it deems appropriate. In addition, **the** OEIS has authority to approve and oversee compliance with the WMP and may determine that the Utility has failed to substantially comply with its WMP. The Utility could be subject to additional regulatory or governmental enforcement action in the future with respect to compliance with federal, state, or local laws, regulations or orders that could result in additional fines, penalties or customer refunds, including those regarding renewable energy and RA requirements; customer billing; customer service; affiliate transactions; vegetation management; design, construction, operating and maintenance practices; safety and inspection practices; compliance with CPUC GOs or other applicable CPUC decisions or regulations; whether the Utility is able to achieve the targets in its WMPs; federal electric reliability standards; and environmental compliance. CPUC staff could also impose penalties on the Utility in the future in accordance with its authority under the gas and electric safety citation programs. The amount of such fines, penalties, or customer refunds depends on a variety of factors and could have a material effect on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. The Utility also is a target of a number of investigations, in addition to certain investigations in connection with the wildfires. See " Risks Related to Wildfires " above. The Utility is unable to predict the outcome of pending investigations, including whether any charges will be brought against the Utility, or the amount of any costs and expenses associated with such investigations. If these investigations result in enforcement action against the Utility, the Utility could incur additional fines or penalties, the amount of which could be substantial, and, in the event of a judgment against the Utility, suffer further ongoing negative consequences. Furthermore, a negative outcome in any of these investigations, or future enforcement actions, could negatively affect the outcome of future ratemaking and regulatory proceedings to which the Utility may be subject; for example, by enabling parties to challenge the Utility' s request to recover costs that the parties allege are somehow related to the Utility' s violations. The Utility' s ratemaking and cost recovery proceedings may not authorize sufficient revenues, or the Utility' s actual costs could exceed its authorized or forecasted costs due to various factors ~~, including if the Utility is not able to manage its costs effectively~~ . The Utility' s financial results depend on its ability to earn a reasonable return on capital, including long- term debt and equity, and to recover costs from its customers, through the rates it charges its customers as approved by the CPUC and the FERC. PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows could be materially affected if the CPUC or the FERC does not authorize sufficient revenues for the Utility or if the amount of actual costs incurred differs from the forecast or authorized costs embedded in rates. The outcome of the Utility' s ratemaking proceedings can be affected by many factors, including the level of opposition by intervening parties; potential rate impacts; increasing levels of regulatory review; changes in the political, regulatory, or legislative environments; and the opinions of the Utility' s regulators, consumer and other stakeholder organizations, and customers, about the Utility' s ability to provide safe, reliable, and affordable electric and gas services. If the CPUC does not authorize sufficient funding for investments in the Utility' s infrastructure, it may negatively impact the Utility ~~'~~ **'** s ability to modernize the grid and make it resilient to risks related to climate change, including wildfires. In addition to the amount of authorized revenues, PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows could be materially affected if the Utility' s actual costs differ from authorized or forecast costs. The Utility' s ability to recover its costs and earn a reasonable rate of return can be affected by many factors, including the time delay between when costs are incurred and when those costs are recovered through rates. The CPUC or the FERC may not allow the Utility to recover costs on the basis that such costs were not reasonably or prudently incurred or for other reasons. Further, the Utility may be required to incur expenses before the relevant regulatory agency approves the recovery of such costs. For example, the Utility has incurred, and continues to incur, costs to strengthen its wildfire mitigation and prevention efforts before it is clear whether such costs will be recoverable through rates. Also, the CPUC may deny recovery of uninsured wildfire- related costs incurred by the Utility if the CPUC determines that the Utility was not prudent. The Utility may incur additional costs or receive reduced revenue **without cost recovery** for many reasons including changing market circumstances, unanticipated events (such as wildfires, storms, earthquakes, accidents, or catastrophic or other events affecting the Utility' s operations), ~~increased self-generation by customers, an increase in distributed generation, lower customer demand due to adverse economic conditions, the loss of the Utility' s customers to other retail providers like CCAs or DA providers,~~ whether the CAISO wholesale electricity market continues to function effectively, ~~returning customers,~~ or compliance with new state laws or policies. See " Trends in Market Demand and Competitive Conditions in the Electricity Industry " in Item 1. Jurisdictions may attempt to acquire the Utility' s assets through eminent domain **, and third parties may attempt to acquire the Utility' s customers by bypassing the Utility' s electric infrastructure system** . Jurisdictions may attempt to acquire the Utility' s assets through eminent domain (" municipalization "). In particular, the City and County of San Francisco (" San Francisco ") has submitted a petition with the CPUC seeking a valuation of the Utility' s electric assets in San Francisco and has expressed intent to acquire such assets. ~~While~~ San Francisco would still need to, among other things, initiate and prevail in an eminent domain action in state court to acquire the Utility' s assets, **but** ~~there~~ -- **the** ~~is~~ **Utility may** ~~no~~ **not** ~~guarantee that the Utility would~~ be successful in defending against such an action or related regulatory proceeding. If municipalization proceedings are permitted to move forward and are successful, the Utility would be entitled to receive the fair market value of the assets that are subject to the takeover effort, **as well as associated severance damages,** but ~~the~~ valuation issues in any municipalization proceeding would be highly contentious and could result in the Utility receiving less than what it believes is just compensation for the applicable assets. Any assets acquired by a third party through eminent domain would be excluded from the Utility' s rate base, reducing the Utility' s revenues and opportunity to earn a return on such assets. **In addition, third parties may attempt to bypass the Utility' s existing electric infrastructure system to provide retail electric service to discrete geographic areas or specific customers. Utility** ~~Assets~~ **assets** that are targeted for municipalization **, as well as existing or potential future Utility customers targeted for electric services by third parties that bypass the Utility' s facilities,** generally are located in geographic areas that have a lower cost of service relative to billed revenues, so municipalization **(or bypass)** could negatively impact the affordability of the Utility' s service for remaining Utility customers served outside of those geographic areas. A successful municipalization **or bypass** attempt could also encourage similar attempts by other municipalities **or third parties** which, if successful, would further divide the Utility' s assets and reduce the Utility' s rate base, profitability, and affordability for remaining Utility customers. It is also unclear how the CPUC would allocate the compensation received by the Utility for **any involuntary sale of** its assets between shareholders and customers. As a result of these factors, municipalization **or electric bypass** could materially affect the Utility' s financial condition, results of operations, liquidity, and cash flow. Risks Related to PG & E Corporation' s and the Utility' s Environment and Financial Condition PG & E Corporation' s and the Utility' s substantial indebtedness may adversely affect their financial health and operating flexibility. PG & E Corporation and the Utility have a substantial amount of indebtedness, most of which is secured by liens on certain assets of PG & E Corporation and the Utility. As of December 31, ~~2022~~ **2023** , PG & E Corporation had approximately $ 4. ~~68~~ **65** billion of outstanding indebtedness (such indebtedness consisting of PG & E Corporation' s $ **2. 15 billion aggregate principal amount of convertible senior secured notes due 2027, $** 1. 0 billion aggregate principal amount of senior secured notes due 2028, $ 1. 0 billion aggregate principal amount of senior secured notes due 2030, and **$ 500 million of** borrowings under the ~~$ 2. 75 billion~~ secured term loan agreement entered into in June 2020), and the Utility had approximately $ ~~45~~ **48** . ~~6~~ **0** billion of outstanding indebtedness. In addition, PG & E Corporation had $ 500 million of additional borrowing capacity under the Corporation Revolving Credit Agreement, and the Utility had $ ~~1~~ **2** . ~~5~~ **0** billion of additional borrowing capacity under the Utility Revolving Credit Agreement. In addition, the Utility had outstanding preferred stock with an aggregate liquidation preference of $ 252 million. Since PG & E Corporation and the Utility have a high level of debt, a substantial portion of cash flow from operations will be used to make payments on this debt. Furthermore, since a significant percentage of the Utility' s assets are used to secure its debt, this reduces the amount of collateral available for future secured debt or credit support and reduces its flexibility in operating these secured assets **or using them for other financing transactions** . This relatively high level of debt and related security could have other important consequences for PG & E Corporation and the Utility, including: • limiting their ability or increasing the costs to refinance their indebtedness; • limiting their ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of their business strategy or other purposes; • limiting their ability to use operating cash flow in other areas of their business; • increasing their vulnerability to general adverse economic and industry conditions, including increases in interest rates, particularly given their substantial indebtedness that bears interest at variable rates, as well as to catastrophic events; and • limiting their ability to capitalize on business opportunities. Under the terms of the agreements and indentures governing their respective indebtedness, PG & E Corporation and the Utility are permitted to incur additional indebtedness, some of which could be secured (subject to compliance with certain tests) and which could further accentuate these risks. As a result of the high level of indebtedness, PG & E Corporation and the Utility may be unable to generate sufficient cash through operations to service such debt, and may need to refinance such indebtedness at or prior to maturity and be unable to obtain financing on suitable terms or at all. As a capital- intensive company, the Utility relies on access to the capital markets **, particularly investment grade capital markets** . If the Utility were unable to access the capital markets or the cost of financing were to substantially increase, its financial condition, results of operations, liquidity, and cash flows could be materially affected **. Although the Utility is generally entitled to seek recovery of its cost of capital, because such requests are subject to CPUC review, the Utility may not successfully recover its cost of capital. Even when cost recovery is granted, the timing of such recovery will generally not occur until after the costs are required to be paid** . The Utility' s ability to obtain financing, as well as its ability to refinance debt and make scheduled payments of principal and interest, are dependent on numerous factors, including the Utility' s levels of indebtedness, maintenance of acceptable credit ratings, financial performance, liquidity and cash flow, and other market conditions. The Utility' s inability to service its substantial debt or access the financial markets on reasonable terms could have a material effect on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. The documents that govern PG & E Corporation' s and the Utility' s indebtedness limit their flexibility in operating their business. PG & E Corporation' s and the Utility' s material financing agreements, including certain of their respective credit agreements and indentures, contain various covenants restricting, among other things, their ability to: • incur or assume indebtedness or guarantees of indebtedness; • incur or assume liens; • sell or dispose of all or substantially all of its property or business; • merge or consolidate with other companies; • enter into any sale **-** leaseback transactions; and • enter into swap agreements. The restrictions contained in these material financing agreements could affect PG & E Corporation' s and the Utility' s ability to operate their business and may limit their ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect PG & E Corporation' s and the Utility' s ability to finance their operations and expenditures, make strategic acquisitions, investments, or alliances, sell assets, restructure their organization, or finance their capital needs. Additionally, PG & E Corporation' s and the Utility' s ability to comply with these covenants and restrictions may be affected by events beyond their control, including prevailing regulatory, economic, financial and industry conditions. ~~Parties have appealed the Confirmation Order. Following entry of the Confirmation Order confirming the Plan, certain parties filed notices of appeal with respect to the Confirmation Order. While a number of such appeals have been dismissed, there can be no assurance that any of the remaining appeals will not be successful and, if successful, that any such appeal would not have a material adverse effect on PG & E Corporation and the Utility. See Note 2 of the Notes to the Consolidated Financial Statements in Item 8.~~ PG & E Corporation may be required to issue shares with respect to HoldCo Rescission or Damage Claims, which would result in dilution to holders of PG & E Corporation common stock, or pay a material amount of cash with respect to allowed Subordinated Debt Claims. On the Emergence Date, PG & E Corporation issued to the Fire Victim Trust a number of shares of common stock equal to 22. 19 % of the outstanding common stock on such date. As further described in " **Wildfire- Related Securities** ~~Satisfaction of HoldCo Rescission or Damage~~ Claims **—** ~~and Subordinated Debt~~ Claims **in the Bankruptcy Court Process** " in Note ~~15~~ **14** of the Notes to the Consolidated Financial Statements in Item 8, PG & E Corporation may be required to issue shares of its common stock in satisfaction of allowed HoldCo Rescission or Damage Claims. If such issuance is required, it may be determined that, under the Plan, the Fire Victim Trust should receive additional shares of PG & E Corporation common stock such that it would have owned 22. 19 % of the outstanding common stock of reorganized PG & E Corporation on the Emergence Date, assuming that such issuance of shares in satisfaction of the HoldCo Rescission or Damage Claims had occurred on the Emergence Date. Any such issuances will result in dilution to anyone who holds shares of PG & E Corporation common stock prior to such issuance and may cause the trading price of PG & E Corporation shares to decline. Additionally, PG & E Corporation may be required to pay a material amount of cash with respect to allowed Subordinated Debt Claims (as defined in " **Wildfire- Related Securities** ~~Satisfaction of HoldCo Rescission or Damage~~ Claims **—** ~~and Subordinated Debt~~ Claims **in the Bankruptcy Court Process** " in Note ~~15~~ **14** of the Notes to the Consolidated Financial Statements in Item 8). Such payment may have a material adverse impact on PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. ~~Any substantial sale of stock by existing stockholders could depress the market value of PG & E Corporation' s common stock, thereby devaluing the market price. Certain stockholders, including the Fire Victim Trust, received a large number of shares in the Chapter 11 Cases and may continue to hold shares of PG & E Corporation. PG & E Corporation can make no prediction as to the effect, if any, that sales of shares, or the availability of shares for future sale, will have on the prevailing market price of shares of PG & E Corporation common stock. Sales of substantial amounts of shares of common stock in the public market, or the perception that such sales could occur, could depress prevailing market prices for such shares. Such sales may also make it more difficult for PG & E Corporation to sell equity securities or equity- linked securities in the future at a time and price which it deems appropriate. PG & E Corporation may also sell additional shares of common stock in subsequent offerings or issue additional shares of common stock or securities convertible into shares of PG & E Corporation common stock. The issuance of any shares of PG & E Corporation common stock in future financings, acquisitions upon conversion or exercise of convertible securities, or otherwise may result in a reduction of the book value and market price of PG & E Corporation' s outstanding common stock. If PG & E Corporation issues any such additional shares, the issuance will cause a reduction in the proportionate ownership and voting power of all current shareholders. PG & E Corporation cannot predict the size of future issuances of shares of PG & E Corporation common stock or securities convertible into shares of PG & E Corporation common stock or, for any issuance, the effect, if any, that such future issuances will have on the market price of PG & E Corporation' s common stock.~~ PG & E Corporation common stock is subject to ownership and transfer restrictions intended to preserve PG & E Corporation' s ability to use its net operating loss carryforwards and other tax attributes. PG & E Corporation has incurred and may also ~~continue to~~ incur ~~,~~ in ~~connection with~~ the **future** ~~Plan,~~ significant net operating loss carryforwards and other tax attributes, the amount and availability of which are subject to certain qualifications, limitations and uncertainties. The Amended Articles (as defined below) impose certain restrictions on the transferability and ownership of PG & E Corporation common stock and preferred stock (together, the " capital stock ") and other interests designated as " stock " of PG & E Corporation by the Board of Directors as disclosed in an SEC filing (such stock and other interests, the " Equity Securities, " and such restrictions on transferability and ownership, the " Ownership Restrictions ") in order to reduce the possibility of an equity ownership shift that could result in limitations on PG & E Corporation' s ability to utilize net operating loss carryforwards and other tax attributes from prior taxable years or periods for federal income tax purposes. Any acquisition of PG & E Corporation capital stock that results in a shareholder being in violation of these restrictions may not be valid. Subject to certain exceptions, the Ownership Restrictions restrict (i) any person or entity (including certain groups of persons) from directly or indirectly acquiring or accumulating 4. 75 % or more of the outstanding Equity Securities and (ii) the ability of any person or entity (including certain groups of persons) already owning, directly or indirectly, 4. 75 % or more of the Equity Securities to increase their proportionate interest in the Equity Securities. **Additionally** ~~For more information~~ , ~~see “ Because~~ **the application of the Ownership Restrictions, as defined in** PG & E Corporation ~~and the Utility have elected to treat the Fire Victim Trust as a grantor trust, the application of the Ownership Restrictions, as defined in PG & E Corporation~~ ’ s Amended Articles of Incorporation, will be determined on the basis of a number of shares outstanding that ~~could differ~~ **differs** materially from the number of shares reported as outstanding on the cover page of its periodic reports under the Exchange Act **because it excludes shares owned by the Utility. See “ Tax Matters** ” ~~below~~ **in Item 7. MD & A for an example of these calculations** . Any transferee receiving Equity Securities that would result in a violation of the Ownership Restrictions will not be recognized as a shareholder of PG & E Corporation or entitled to any rights of shareholders, including, without limitation, the right to vote and to receive dividends or distributions, whether liquidating or otherwise, in each case, with respect to the Equity Securities causing the violation. The Ownership Restrictions remain in effect until the earliest of (i) the repeal, amendment, or modification of Section 382 (and any comparable successor provision) of the IRC, in a manner that renders the restrictions imposed by Section 382 of the IRC no longer applicable to PG & E Corporation, (ii) the beginning of a taxable year in which the Board of Directors of PG & E Corporation determines that no tax benefits attributable to net operating losses or other tax attributes are available, (iii) the date selected by the Board of Directors if it determines that the limitation amount imposed by Section 382 of the IRC as of such date in the event of an “ ownership change ” of PG & E Corporation (as defined in Section 382 of the IRC and Treasury Regulation Sections 1. 1502- 91 et seq.) would not be materially less than the net operating loss carryforwards or “ net unrealized built- in loss ” (within the meaning of Section 382 of the IRC and Treasury Regulation Sections 1. 1502- 91 et seq.) of PG & E Corporation, and (iv) the date selected by the Board of Directors if it determines that it is in the best interests of PG & E Corporation’ s shareholders for the Ownership Restrictions to be removed or released. The Ownership Restrictions may also be waived by the Board of Directors on a case by case basis. ~~Because PG & E Corporation and the Utility have elected to treat the Fire Victim Trust as a grantor trust, the application of the Ownership Restrictions, as defined in PG & E Corporation’ s Amended Articles of Incorporation, will be determined on the basis of a number of shares outstanding that could differ materially from the number of shares reported as outstanding on the cover page of its periodic reports under the Exchange Act. The Plan contemplated that the Fire Victim Trust would be treated as a “ qualified settlement fund ” for U. S. federal and state income tax purposes, subject to PG & E Corporation’ s ability to elect to treat the Fire Victim Trust as a grantor trust for U. S. federal and state income tax purposes instead. On July 8, 2021, PG & E Corporation, the Utility, ShareCo, and the Fire Victim Trust entered into the Share Exchange and Tax Matters Agreement, pursuant to which PG & E Corporation and the Utility made a grantor trust election for the Fire Victim Trust effective retroactively to the inception of the Fire Victim Trust. As a result of the grantor trust election, shares of PG & E Corporation common stock owned by the Fire Victim Trust are treated as held by the Utility and, in turn attributed to PG & E Corporation for income tax purposes. Consequently, any shares owned by the Fire Victim Trust are effectively excluded from the total number of outstanding equity securities when calculating a person’ s Percentage Stock Ownership (as defined in the Amended Articles) for purposes of the Ownership Restrictions. See “ Tax Matters ” in Item 7. MD & A for an example of these calculations. PG & E Corporation does not control the number of shares held by the Fire Victim Trust and is not able to determine in advance the number of shares the Fire Victim Trust will hold. PG & E Corporation intends to periodically make available to investors information about the number of shares of common stock held by the Fire Victim Trust, the Utility, and ShareCo as of a specified date for purposes of the Ownership Restrictions, including in its Quarterly Reports and Annual Reports filed with the SEC. PG & E Corporation intends to enforce the Ownership Restrictions as described in the foregoing paragraph (calculated as excluding any shares owned by the Fire Victim Trust, the Utility, and ShareCo from the number of outstanding equity securities). All current and prospective shareholders are advised to consider the foregoing in determining their ownership and acquisition of PG & E Corporation common stock.~~ PG & E Corporation may not be able to use some or all of its net operating loss carryforwards and other tax attributes to offset future income. As of December 31, ~~2022~~ **2023** , PG & E Corporation had net operating loss carryforwards for PG & E Corporation’ s consolidated group for U. S. federal and California income tax purposes of approximately $ ~~26~~ **32. 9 billion and $ 32** . 6 ~~billion and $ 25. 2~~ billion, respectively, and PG & E Corporation incurred and may also continue to incur ~~, in connection with the Plan,~~ significant net operating loss carryforwards and other tax attributes. The ability of PG & E Corporation to use some or all of these net operating loss carryforwards and certain other tax attributes may be subject to certain limitations. Under Section 382 of the IRC (which also applies for California state income tax purposes), if a corporation (or a consolidated group) undergoes an “ ownership change, ” such net operating loss carryforwards and other tax attributes may be subject to certain limitations. In general, an ownership change occurs if the aggregate stock ownership of certain shareholders (generally five percent shareholders, applying certain look- through and aggregation rules) increases by more than 50 % over such shareholders’ lowest percentage ownership during the testing period (generally three years). As of the date of this report, it is more likely than not that PG & E Corporation has not undergone an ownership change and its net operating loss carryforwards and other tax attributes are not limited by Section 382 of the IRC. However, whether PG & E Corporation underwent ~~or will undergo~~ an ownership change as a result of the transactions in PG & E Corporation’ s equity that occurred pursuant to the Plan **or in combination with other changes in the ownership of PG & E Corporation’ s equity** depends on several factors outside PG & E Corporation’ s control and the application of certain laws that are uncertain in several respects. Accordingly, ~~there~~ -- **the IRS may** ~~can be no assurance that the Internal Revenue Service would not~~ successfully assert that PG & E Corporation has undergone ~~or will undergo~~ an ownership change pursuant to the Plan.

~~In addition, even if these transactions did not cause an ownership change, they may increase the likelihood that PG & E Corporation may undergo an ownership change in the future.~~ If the **IRS** ~~Internal Revenue Service~~ successfully asserts that PG & E Corporation did undergo, or PG & E Corporation otherwise does undergo, an ownership change, the limitation on its net operating loss carryforwards and other tax attributes under Section 382 of the IRC could be material to PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows. In particular, limitations imposed on PG & E Corporation' s ability to utilize net operating loss carryforwards or other tax attributes could cause U. S. federal and California income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such net operating loss carryforwards or other tax attributes to expire unused, in each case reducing or eliminating the benefit of such net operating loss carryforwards and other tax attributes. ~~In addition, PG & E Corporation' s ability to utilize its net operating loss carryforwards to fund a customer credit trust is critical to whether the impact of the fixed recovery charges paid by customers pursuant to the SB 901 securitization transactions will be neutral, on average, to such customers.~~ Further, PG & E Corporation' s ability to utilize its net operating loss carryforwards is critical to PG & E Corporation' s and the Utility' s commitment to make certain operating and capital expenditures. Failure to obtain alternative sources of capital could have a material adverse effect on PG & E Corporation and the Utility and the value of PG & E Corporation common stock. PG & E Corporation ~~' s ability to pay dividends on shares of its common stock is subject to restrictions. Pursuant to the Confirmation Order, PG & E Corporation may not pay dividends on shares of its common stock until it recognizes $ 6. 2 billion in Non- GAAP Core Earnings following the Emergence Date. " Non- GAAP Core Earnings " means GAAP earnings adjusted for certain non- core items as described in the Plan. Subject to the foregoing restrictions, any decision to declare and pay dividends in the future will be made at the discretion of PG & E Corporation' s Board of Directors and will depend on, among other things, PG & E Corporation' s results of operations, financial condition, cash requirements, contractual restrictions, and other factors that the Board of Directors may deem relevant. PG & E Corporation~~ is a holding company and relies on dividends, distributions and other payments, advances, and transfers of funds from the Utility to meet its obligations. PG & E Corporation conducts its operations primarily through its subsidiary, the Utility, and substantially all of PG & E Corporation' s consolidated assets are held by the Utility. Accordingly, PG & E Corporation' s cash flow and its ability to meet its debt service obligations under its existing and future indebtedness are largely dependent upon the earnings and cash flows of the Utility and the distribution or other payment of these earnings and cash flows to PG & E Corporation in the form of dividends or loans or advances and repayment of loans and advances from the Utility. The ability of the Utility to pay dividends or make other advances, distributions, and transfers of funds will depend on its results of operations and may be restricted by, among other things, applicable laws limiting the amount of funds available for payment of dividends and certain restrictive covenants contained in the agreements of those subsidiaries. Additionally, the Utility must use its resources to satisfy its own obligations, including its obligation to serve customers, to pay principal and interest on outstanding debt, to pay preferred stock dividends, and to meet its obligations to employees and creditors, before it can distribute cash to PG & E Corporation. In addition, the CPUC has imposed various conditions that govern the relationship between PG & E Corporation and the Utility, including financial conditions that require the Board of Directors to give first priority to the capital requirements of the Utility, as determined to be necessary and prudent to meet the Utility' s obligation to serve or to operate the Utility in a prudent and efficient manner ~~. PG & E Corporation is unable to predict when it will commence the payment of dividends on its common stock~~ . The deterioration of income from, or other available assets of, the Utility for any reason could limit or impair the Utility' s ability to pay dividends or other distributions to PG & E Corporation, which could, in turn, materially and adversely affect PG & E Corporation' s ability to meet its obligations. California law and certain provisions in the Amended Articles and the amended and restated bylaws of PG & E Corporation (the " Amended Bylaws ") may prevent efforts by shareholders to change the direction or management of PG & E Corporation. The Amended Articles and the Amended Bylaws contain provisions that may make the acquisition of PG & E Corporation more difficult without the approval of the Board of Directors, including the following: • until 2024, the Board of Directors will be divided into two equal classes, with members of each class elected in different years for different terms; • only holders of shares who are entitled to cast ten percent or more of the votes can request a special meeting of the shareholders, and any such request must satisfy the requirements specified in the Amended Bylaws; action by shareholders may otherwise only be taken at an annual or special meeting duly called by or at the direction of a majority of the Board of Directors, or action by written consent signed by shareholders owning at least the number of votes necessary to authorize the action at a meeting where all shares entitled to vote were present; • advance notice for all shareholder proposals is required; and • any person acquiring PG & E Corporation Equity Securities will be restricted from owning 4. 75 % or more of such Equity Securities (as determined for federal income tax purposes (see " Tax Matters " in Item 7. MD & A)), subject to certain exceptions as may be determined by the Board of Directors of PG & E Corporation. These and other provisions in the Amended Articles, the Amended Bylaws, and California law could make it more difficult for shareholders or potential acquirers to obtain control of the Board of Directors or initiate actions that are opposed by the then- current Board of Directors, including delaying or impeding merger, tender offer, or proxy contest involving PG & E Corporation. The existence of these provisions could negatively affect the price of PG & E Corporation common stock and limit opportunities for shareholders to realize value in a corporate transaction. **The Utility may be unable to manage its costs effectively. The Utility has set a goal to increase its capital investments to meet safety and climate goals, while also achieving operating cost savings. The Utility' s ability to achieve such savings depends, in part, on whether the Utility can improve the planning and execution of its work by continuing to implement the Lean operating system. Even if the Utility is able to reduce some costs, other emerging priorities, such as emergency response, public purpose programs, wildfire mitigation initiatives, or California' s clean energy transition, could require it to reinvest those savings. Concerns about high rates for the Utility' s customers could negatively impact** PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows ~~have been and could continue to be significantly affected by the outbreak of the COVID- 19 pandemic. PG & E Corporation' s and the Utility' s~~

~~financial condition, results of operations, liquidity, and cash flows have been (beginning in March 2020) and could continue to be significantly affected by the outbreak of the COVID- 19 pandemic (and its variants), but the extent of such impact is uncertain. PG & E Corporation and the Utility continue to evaluate the impact of the current COVID- 19 outbreak on their business and financial results. The consequences of a continued and prolonged outbreak and resulting governmental and regulatory orders have had and could continue to have a negative impact on the Utility' s financial condition, results of operations, liquidity, and cash flows. The outbreak of the COVID- 19 pandemic and the resulting economic conditions, and resulting decrease in economic and industrial activity in the Utility' s service area, have and will continue to have a significant adverse impact on the Utility' s customers. These circumstances have impacted and will continue to impact the Utility for a period of time that PG & E Corporation and the Utility are unable to predict. For example, the economic downturn has resulted in a reduction in customer receipts and collection delays throughout the COVID- 19 pandemic. The Utility' s accounts receivable balances over 30 days outstanding as of December 31, 2022 were approximately $ 1. 1 billion, or $ 890 million higher as compared to the balances as of December 31, 2019. The Utility is unable to estimate the portion of the increase directly attributable to the COVID- 19 pandemic. The Utility expects to continue experiencing an impact on monthly cash collections for as long as current COVID- 19 circumstances persist. PG & E Corporation and the Utility are unable to quantify the long- term potential impact of the changes in customer collections or changes in energy demand on earnings and cash flows due, in part, to uncertainties regarding the timing, duration and intensity of the COVID- 19 outbreak and the resulting economic downturn. Although the CPUC authorized the establishment of memorandum and balancing accounts to track costs associated with customer protection measures, the timing of regulatory relief, if any, and ultimate cost recovery from such accounts or otherwise, are uncertain. The COVID- 19 pandemic and resulting economic downturn have resulted and may continue to result in workforce disruptions, both in personnel availability (including a reduction in contract labor resources) and deployment. Increased governmental regulation of the COVID- 19 pandemic protections, including vaccination mandates or testing requirements for workers, could result in employee attrition, workforce disruptions and increased supplier and contractor costs. Although the Utility continues to prioritize customer and community safety, these disruptions necessitate changes to the Utility' s operating and capital expenditure plans, which could lead to project delays or service disruptions in certain programs. Delays in production and shipping of materials used in the Utility' s operations may also impact operations. The Utility has experienced shortages in certain materials, longer lead times and delivery delays as a result of domestic and international raw material and labor shortages. If these disruptions to the supply chain persist or worsen, the Utility may be delayed or prevented from completing planned maintenance and capital projects work. PG & E Corporation and the Utility expect additional financial impacts in the future as a result of the COVID- 19 pandemic. Potential longer- term impacts of the COVID- 19 pandemic on PG & E Corporation or the Utility include the potential for higher credit spreads, borrowing costs and incremental financing needs. PG & E Corporation' s and the Utility' s analysis of the potential impact of the COVID- 19 pandemic is ongoing and subject to change. PG & E Corporation and the Utility are unable to predict the timing, duration or intensity of the COVID- 19 pandemic situation and any resurgence of the COVID- 19 pandemic and any variant strains of the COVID- 19 virus, the effectiveness and intensity of measures to contain the COVID- 19 pandemic (including availability and effectiveness of vaccines), and the effects of the COVID- 19 situation on the business, financial condition and results of operations of PG & E Corporation and the Utility and on the business and general economic conditions in the State of California and the United States of America. Rising rates for the Utility' s customers could result in circumstances in which the Utility is unable to fully recover costs or earn its authorized ROE~~ . The rates paid by the Utility' s customers are impacted by the Utility' s costs, commodity prices, and broader energy trends. The Utility' s capital investment plan, increasing procurement of renewable power and energy storage, increasing environmental regulations, leveling demand, and the cumulative impact of other public policy requirements, collectively place continuing upward pressure on ~~customer~~ **customers '** rates. In particular, the Utility will need to make substantial, sustained investments to its infrastructure to adapt to climate change **, enable the clean energy transition, and mitigate wildfire risk** . For more information on factors that could cause the Utility' s costs to increase, see " The Utility' s ratemaking and cost recovery proceedings may not authorize sufficient revenues, or the Utility' s actual costs could exceed its authorized or forecasted costs due to various factors ~~, including if the Utility is not able to manage its costs effectively~~ " above. **The** ~~If customer rates increase, the~~ CPUC ~~may face greater pressure~~ **considers affordability as it adjudicates the Utility' s rate cases, and concerns about affordability could cause the CPUC** to approve lesser amounts in the Utility' s ratemaking or cost recovery proceedings. The Utility generally recovers its electricity and natural gas procurement costs through rates as " pass- through " costs. Increases in the Utility' s commodity costs directly impact customer bills. Increasing levels of self- generation of electricity by customers (primarily solar installations) and customer enrollment in NEM **and NBT** , which allows self- generating customers to receive bill credits for power exported to the grid ~~at the full retail rate~~ , shifts costs to other customers. Under this structure, NEM **and NBT** customers do not pay their proportionate share of the cost of maintaining and operating the electric transmission and distribution system, including costs associated with funding social equity programs, subject to certain exceptions, while still receiving electricity from the system when their self- generation is inadequate to meet their electricity needs. These unpaid costs are subsidized by customers not participating in NEM **or NBT** . Accordingly, as more electric customers switch to ~~NEM~~ **the NBT** and self- generate energy, the burden on the remaining customers increases, which in turn encourages more self- generation, further increasing rate pressure on existing non- NEM **or non- NBT** customers. Other long- term trends could also increase costs for gas customers. Natural gas suppliers are subject to compliance with CARB' s cap- and- trade program, and natural gas end- use customers have an increasing exposure to carbon costs under the program through 2030 (when the full cost will be reflected in customer bills). **Increased renewable portfolio standards in the electric sector could also reduce electric generation gas load.** CARB may also require aggressive energy efficiency programs to reduce natural gas end use **consumption** . ~~Increased renewable portfolio standards in~~ **Additionally, the Bay Area Air Quality Management District has adopted rules that restrict the sale of gas space and water heating appliances, and the CARB is considering**

similar rules. If ~~the~~ **other** ~~electric sector~~ **jurisdictions also adopt similar rules, reduced gas demand** could **accelerate** ~~reduce electric generation gas load. Additionally,~~ customers replacing natural gas appliances with electric appliances ~~will lead to further reduced gas demand~~ . The combination of reduced load and increased costs to maintain the gas system could result in higher natural gas customer bills. In addition, some local city governments have passed ordinances restricting use of natural gas in new construction and, if other jurisdictions follow suit, this could affect future demand for the provision of natural gas. If fewer customers receive gas from the Utility, the Utility' s gas system maintenance costs, many of which cannot be reduced in the short term even if gas quantities decrease, would be borne by fewer customers. Finally, a mandate to purchase renewable natural gas for core customers could lead to increased costs for core customers if utilities are competing with the transportation sector for supplies of renewable natural gas. A confluence of technology- related cost declines ~~and~~ **, along with** sustained **or increased** federal or state subsidies **,** could make a combination of distributed generation and energy storage a viable, cost- effective alternative to the Utility' s bundled electric service which could further reduce energy demand. Reduced energy demand or significantly slowed growth in demand due to customer migration to other energy providers, adoption of energy efficient technology, conservation, increasing levels of distributed generation and self- generation, unless substantially offset through regulatory cost allocations, could increase the energy rates for other customers. If rates were to rise too rapidly, customer usage **or the number of customers** could decline. **A** ~~This decline would~~ decrease **in** the volume of sales, among which the Utility' s costs are allocated, ~~and~~ **could further** increase rates. To relieve some of this upward rate pressure, the CPUC may authorize lower revenues than the Utility requested or increase the period over which the Utility is allowed to recover amounts, which could impact the Utility' s ability to timely recover its operating costs. The Utility' s level of authorized capital investment could decline as well, leading to **fewer new business interconnections and** a slower growth in rate base and earnings. As a result, PG & E Corporation' s and the Utility' s financial condition, results of operations, liquidity, and cash flows could be materially affected. Inflation **and supply chain issues** may ~~negatively impact~~ **adversely affect** PG & E Corporation ~~' s~~ and the Utility ~~' s financial conditions, results of operations, liquidity, and cash flows~~ . PG & E Corporation and the Utility have observed that prices for equipment, materials, supplies, employee labor, contractor services, and variable- rate debt have increased **and** ~~. Long- term inflationary pressures~~ may ~~result in such prices continuing~~ **continue** to increase more quickly than expected ~~. Increases in~~ **as a result of** inflation ~~raises costs for~~ **. Additionally, the Utility has experienced shortages in certain items, longer lead times, and delivery delays as a result of domestic and international raw material and** labor **shortages. If these disruptions to the supply chain persist or worsen** , ~~materials~~ **the Utility may be delayed or prevented from completing planned maintenance** and ~~services, and~~ **capital projects work.** PG & E Corporation and the Utility may be unable to secure these resources on economically acceptable terms or offset such costs with increased revenues, operating efficiencies, or cost savings, which may adversely ~~impact~~ **affect** PG & E Corporation' s and the Utility' s financial ~~conditions~~ **condition** , results of operations, liquidity, and cash flows.