

# PG&E's Bankruptcy Exit Plan And What It Means for You



In January 2019, in the wake of historic California wildfires like the 2018 Camp Fire which destroyed the town of Paradise and killed 85 people, PG&E filed for Chapter 11 bankruptcy to avoid paying the over \$30 billion in damage claims brought against the company for causing a rash of wildfires in 2017 and 2018.

In March 2020, Governor Newsom cut a deal with PG&E for the company to exit bankruptcy, and now that deal—which puts ratepayers, wildfire survivors, and our communities at grave risk—is up for approval from the California Public Utility Commission (CPUC).

The PG&E bankruptcy case is huge in both its financial implications as well as the opportunity it provides to fundamentally change one of the biggest private utilities in our country. Will PG&E, whose negligence caused over 150 people to die and destroyed more than 15,000 structures in California over the last 10 years, be bailed out to wreak more havoc? Or will the utility be restructured to advance the safe, reliable, renewable, and equitable energy system we need to address a critical pandemic and a changing climate?

## Background

Following PG&E's bankruptcy filing, the company's Board of Directors and executive staff were taken over by Wall Street investors. The takeover was formally approved by shareholders in June 2019. Then in July, Governor Newsom fast-tracked AB 1054 through the state legislature for PG&E to access wildfire insurance funds and to limit its liability for future utility-caused wildfire damage claims, thereby laying the groundwork for PG&E to emerge from bankruptcy.

In September, the CPUC initiated a proceeding for approving a PG&E Plan of Reorganization, necessary to exit bankruptcy court and access the billions in wildfire insurance funds. PG&E's woefully inadequate initial Plan did not address its abysmal safety history and instead planned to exit from bankruptcy by going even deeper into debt.

Newsom blasted this PG&E Plan in a December letter saying that it fell far short of meeting its obligations under AB 1054.

Instead of continuing to push for needed changes, however, Newsom flipped in March 2020 and accepted a PG&E Plan that contained many of the failings he pointed out in his December 2019 letter. At first a potential champion of ratepayers, wildfire survivors, and our communities, Newsom has disappointingly agreed to a deal that leaves all of us holding the bag on a dangerous PG&E bailout.

The current pandemic accentuates this danger, as we need energy reliability and security even more in the face of increasing energy bills, power shutoffs, and utility-caused wildfires. Keeping our homes and medical facilities operational during the current public health and economic crisis is essential. It is more evident than ever that we need a very different kind of utility than a bailed-out PG&E.

PG&E's bankruptcy exit Plan is on the agenda this month for approval by the CPUC, which is under heavy pressure to rubber stamp it in time for PG&E to exit bankruptcy court by June 30—the date set by AB 1054 for PG&E to be able to tap into the wildfire insurance fund.

Jan 29, 2019	● PG&E files for bankruptcy
June 21, 2019	● PG&E taken over by Wall Street investors
July 12, 2019	● AB 1054 passed
Dec 13, 2019	● Newsom rejects PG&E's initial Plan
March 20, 2020	● Newsom accepts PG&E's current Plan
May 15, 2020	● Wildfire survivors vote on Plan
May 21, 2020	● CPUC votes on Newsom/PG&E Plan
May 27, 2020	● Bankruptcy judge hearings on Newsom/PG&E Plan
June 30, 2020	● AB 1024 deadline for PG&E to exit bankruptcy

## Impacts of the Newsom/PG&E Plan

**Cost to ratepayers:** PG&E's Plan deliberately turns a blind eye to \$7.5 billion in debt that PG&E ratepayers will pay off through a 20 to 30-year bond. Because that debt will be formalized after the date of PG&E's exit from bankruptcy, PG&E is not counting it when arguing that ratepayers will not get stuck with the bankruptcy exit bill, a requirement of AB 1054.<sup>1</sup> Despite such a significant ratepayer bailout, PG&E would still emerge from bankruptcy deeply in debt, exposing ratepayers to yet another utility bankruptcy to pay for.

**Cost to wildfire survivors:** On its face, it appears wildfire survivors stand to receive \$13.5 billion from PG&E. Ultimately, that is not the case, as *half* of claimants' compensation will be in PG&E stock.<sup>2</sup> It is not clear how this stock will be valued, who will administer the Fire Victims Trust holding the stock, or when claimants will be able to cash out. Wildfire survivors are being asked to say "yes" to an unformed plan—essentially allowing PG&E to do what it will.

**Impact on our communities:** PG&E's Plan exposes our communities to unacceptable risks, failing to enact the kind of operational and safety overhaul needed to avoid the kinds of disasters that our communities have endured. For example:

- It fails to institute strong wildfire safety metrics and robust requirements for utility wildfire mitigation plans. Instead, the company retains the inadequate safety protocols in place before the San Bruno disaster and the 2017 and 2018 wildfires. The probation judge in PG&E's criminal conviction recently said that "PG&E cannot keep California safe."
- It fails to include specific measures for minimizing power shutoffs, protecting medically vulnerable households, building comprehensive community engagement processes, or compensating customers for their financial losses during shutoffs.
- It fails to require that *any* of PG&E's directors or Board members have operational or safety experience related to electric utilities or represent most impacted communities.
- It fails to provide for an independent monitor to enforce the provisions of the Plan itself, allowing the utility to continue to run wild with little enforceable oversight.
- It fails to address climate change, proposing to carry on with business as usual, rather than taking steps to move toward a more resilient, decentralized, renewable energy system.
- It fails to recognize energy as a human right, especially during these times of shelter-in-place when electricity becomes even more vital, nor does it address the need for debt forgiveness for vulnerable households as a result of the pandemic and income loss.



## Reject the Newsom/PG&E Plan!

We call on the CPUC to reject the current PG&E Plan of Reorganization and instead require a plan that addresses the needs of wildfire survivors, ratepayers, and our communities. Governor Newsom, we call on you to fight for a Plan that will meet our energy needs as we address both the pandemic and climate crises.

<sup>1</sup> [ALJ Proposed Decision at 74, Case I. 19-09-016.](#)

<sup>2</sup> [PG&E Post Hr'g Br. and Comments, Mar. 13, 2020, CPUC Docket I.19-09-016 at 16-17.](#)

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