



To: RCRC Board of Directors
From: Staci Heaton, Regulatory Affairs Advocate
Date: March 11, 2019
Re: Pacific Gas & Electric Bankruptcy Filing – **Informational Item**

Summary

Pacific Gas & Electric Corp. (PG&E) has filed for bankruptcy proceedings, potentially leading to wide-reaching impacts on ratepayers and the communities the utility serves. This memo provides an overview and status of the bankruptcy filing, as well as its potential impacts on RCRC member counties.

Background

PG&E provides natural gas and electricity to 5.2 million households in the northern two-thirds of California. Since 2010, PG&E has been found negligent in causing a number of disasters, beginning in 2010 with the San Bruno pipeline explosion, which killed eight people, injured nearly sixty more, and destroyed 100 homes. The California Public Utilities Commission (CPUC) levied a \$300 million fine against PG&E for the explosion in 2015, while the utility also settled approximately \$500 million in claims from victims of the explosion. PG&E committed \$850 million toward safety improvements, and refunded \$400 million to its natural gas customers.

Subsequently, PG&E was found negligent in the ignition of a number of high-severity wildfires across Northern California due to lack of clearing around powerlines and/or faulty equipment. These fires include the Butte Fire (Calaveras County), which killed two people and destroyed nearly 500 homes, and 13 of the October 2017 fires that devastated Napa, Sonoma, Mendocino and Lake Counties. In 2018, PG&E sought both rate relief from the CPUC as well as reform of inverse condemnation statutes that hold utilities liable for damages to victims of disasters when they are found negligent. As a compromise, the Legislature included a liability securitization scheme in Senate Bill 901 (Dodd) to attempt to provide relief to investor-owned utilities (IOUs) such as PG&E when they are responsible for a catastrophic wildfire event in 2019 and beyond, as well as to cover some of the costs of the 2017 wildfires.

Issue

The devastating Camp Fire of November 2018, which ravaged the City of Paradise, killed 85 people, and destroyed nearly 14,000 residences, is the most devastating wildfire in California history, with the damage estimated at \$16.5 billion. Shortly after the Camp Fire, PG&E officials acknowledged a power failure on a transmission line near the ignition point

just 15 minutes before the fire began. Anticipating their liability for the fire, PG&E announced in early January 2019 that they were in the initial steps to file for bankruptcy, particularly since SB 901 did not cover costs of fires in 2018. The utility made the filing official on January 29, 2019, and filed for Chapter 11 Bankruptcy.

Since PG&E filed for bankruptcy, the CPUC has continued implementation of other portions of SB 901 that require IOUs to submit wildfire hazard mitigation plans, which will bring additional costs to PG&E in the next several years. The CPUC has informally discussed options to break-up PG&E or to turn it into a municipal-run utility, and members of the Legislature are working on similar proposals. Assembly Member Chad Mayes (R-Yucca Valley) has formally introduced Assembly Bill 235, which establishes a risk financing fund for IOUs to which they can make annual contributions, and then draw from when they are found negligent in a disaster. Several investor groups have also proposed to take over management of PG&E, while victims and creditors try to ensure they are paid what they have already been awarded via judgments. Despite these proposals, the ultimate impact on ratepayers and wildfire victims remains unknown until the formal full bankruptcy process plays out.

Most prominently, Governor Gavin Newsom announced on February 12, 2019 that he was forming a team of advisors on PG&E's bankruptcy, to include bankruptcy attorneys and financial specialists, to develop a plan on how the State should address the utility's bankruptcy status. The team was given 60 days to complete the plan, and were instructed to address the very complex topics of victim compensation, ratepayer and employee protection, and of course, how to ensure PG&E customers continue to receive the services they have come to rely on.

Staff Recommendation

Information Item. RCRC will continue to update the Board on the PG&E bankruptcy process as it continues.