



PG&E Bankruptcy

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Background

- On January 29, 2019, Pacific Gas & Electric Company filed for Chapter 11 bankruptcy
- The purpose of the filing was to protect the company from billions of dollars in wildfire claims
- Completion target for the bankruptcy is June 30, 2020
 - Meeting this date is necessary for PG&E's to comply with the terms of AB 1054 which allows PG&E to participate in California's new "go-forward" wildfire fund and have access to the \$21B fund
- Bankruptcy court hearing scheduled for May 27 to consider approval of bankruptcy plan

PG&E

- **Largest electric utility in the United States** serving 70,000 square miles with 23,000 employees
- Provides electric and natural gas to over 6 million customers in Central and Northern California.
- The company's bankruptcy filing listed assets of \$71B and liabilities of \$51B
- The Camp Fire, which began on November 8, 2018 near the mountain town of Paradise, CA, was the largest natural disaster of 2018 with losses estimated at \$16.5B.

PG&E's Updated Bankruptcy Plan (January 30, 2020)

- “Refreshing” Board of Directors to ensure necessary skills/expertise
- “Regionalizing” operations to focus on local communities/customers
- New positions of Chief Risk Officer and Chief Safety Officer as well as appointing independent safety advisor
- Forming “independent” Safety Oversight Committee with non-PG&E employees
- Enhancing safety metrics and enforcement mechanisms
- Tying executive compensation to safety performance
- Maintaining all employee obligations and labor union contracts
- Paying \$25+ billion in settlements to wildfire victims
- Ensuring reorganization plan is ratepayer neutral by contributing \$8B to lessen ratepayer impact

Governor/CPUC Perspectives

- **The Governor**

- Opposed PG&E’s initial bankruptcy plan believing it had not gone far enough
- Wants a “reimagined” company with a complete overhaul of the PG&E board and management
- Wants significant capital investments to outdated electric grid
- If his demands are not satisfied, Governor will support establishment of a publicly-owned nonprofit to takeover the company

- **The California Public Utility Commission (CPUC)**

- Concerned over PG&E’s safety failures and handling of PSPS events
- CPUC’s proposal to improve PG&E safety performance was open for public comment until March 26.

PG&E's New Actions to Satisfy Governor/CPUC (3/23/2020)

- Pled guilty to 84 counts of involuntary manslaughter related to 2018 Camp Fire
- Pled guilty to a single charge of unlawfully starting a fire
- No dividend payments for at least 3 years (~\$4B forfeiture)
- About \$7.5 billion in shareholder assets would be used to repay or refinance utility debt
- **If bankruptcy not approved by June 30, PG&E will appoint a Chief Transition Officer and initiate a sale of the company**

Senate Bill 917 filed on February 3, 2020

- Filed by Scott Wiener serving San Francisco and parts of San Mateo County
- **Bill establishes the Northern California Energy Utility District** to provide electric & gas service
- Structured like a municipal utility district with 7 member governing board
- The District would have authority to acquire, via eminent domain, PG&E's assets
- Local public utilities would also be authorized to join the eminent domain action to acquire the portion of PG&E's system within its borders.
- Goal would be to transfer assets within 5 years of the eminent domain filing
- The CPUC would not have authority over the new district for rate and financing purposes
- Bill is currently in Senate Rules Committee awaiting transfer to Senate Energy, Utilities and Communications Committee
- **IBEW Local 1245 and PG&E itself strongly oppose SB 917.**

Other PG&E Takeover Proposals

- **A group of northern/central California cities and counties support a customer-owned utility structure for the “new” PG&E**
 - Even under the best of conditions such a takeover would take 5+ years and could be much longer if opposed by PG&E
 - IBEW is strongly opposed due to the possible impact on the compensation and benefits of their members
 - It is likely that the liability for future wildfires and/or natural gas explosions would pass to the new public utility agency
 - The operational complexities of a new entity managing the nation’s largest electric and gas system would be overwhelming/daunting
 - PG&E would have to be fully compensated for the takeover of any of its assets with costs that approach as much as \$100B

Impact on Lompoc of the PG&E Bankruptcy

- **There is little impact on Lompoc as a result of the bankruptcy filing and related takeover actions**
 - PG&E does not provide retail electricity to Lompoc -- the City provides electricity to the community
 - PG&E does not provide retail natural gas to Lompoc – SoCal gas provides gas service
 - PG&E’s transmission lines are used by Lompoc (and NCPA) to deliver power resources to the local area -- this will not change.
 - PG&E’s transmission lines are regulated by the Federal Energy Regulatory Commission – not CA
 - PG&E’s transmission lines are operated by the CAISO which is also regulated by FERC – not CA
- Note that **Power Safety Power Shutoffs (PSPS)** by PG&E (not bankruptcy related) have the potential to impact Lompoc and this program will continue to be monitored.

Going Forward

- Bankruptcy Court hearing scheduled for May 27 to consider approval of PG&E's plan
- Continue to monitor the PG&E bankruptcy, and any system takeover proposals, for possible (and perhaps unintended) impacts on Lompoc

