
**SENATE COMMITTEE ON ENERGY, UTILITIES AND
COMMUNICATIONS**

Senator Ben Hueso, Chair

2021 - 2022 Regular

Bill No:	AB 2283	Hearing Date:	6/21/2022
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Urgency:	No	Fiscal:	Yes
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SUBJECT: Public utilities: wildfires: victim compensation

DIGEST: This bill requires the California Public Utilities Commission (CPUC), in a new or existing proceeding, to undertake a comprehensive review of actions taken by the Pacific Gas and Electric Company (PG&E) that materially and adversely affected the value of its stocks provided as part of its settlement agreement with victims of wildfire that is a part of PG&E's Plan of Reorganization approved by the United States Bankruptcy Court on June 20, 2020.

ANALYSIS:

Existing law:

- 1) Establishes and vests the CPUC with regulatory authority over public utilities, including electrical corporations. (Article XII of the California Constitution)
- 2) Authorizes, via the Public Utilities Act, the CPUC to supervise and regulate every public utility, including electrical corporations, and to do all things that are necessary and convenient in the exercise of such power and jurisdiction. (Public Utilities Code §701)
- 3) Under federal bankruptcy law, the PG&E entered into a settlement agreement with victims of certain wildfires caused by the company occurring before the 2019 calendar year through the establishment of the Fire Victim Trust that has a certain expected value.

This bill:

- 1) Requires the CPUC, in a new or existing proceeding, to undertake a comprehensive review of actions taken by the PG&E that materially and adversely affected the value of its stocks provided pursuant to the above-described settlement agreement.

- 2) Makes legislative findings and declarations as to the necessity of a special statute of the PG&E Company.

Background

Pacific Gas & Electric (PG&E) Bankruptcy. On January 29, 2019 PG&E filed for Chapter 11 protection in the Court (No.19-30088-DM). In that filing, PG&E claimed \$51.7 billion in total debt versus approximately \$71 billion in assets. According to the company's first day filings PG&E's decision to seek relief under Chapter 11 was "necessitated by a confluence of factors resulting from the catastrophic and tragic wildfires that occurred in Northern California in 2017 and 2018, and PG&E's potential liabilities arising therefrom." PG&E asserted that its bond ratings dropped so precipitously that it was unable to maintain the cash flow needed to operate as the markets anticipated that the utility would have to book billions of dollars in liability.

Fire Victim Trust (Trust). On June 20, 2020, the Bankruptcy Court approved PG&E's bankruptcy Plan, which established the Trust and authorized \$13.5 billion in compensation to victims of the 2015 Butte Fire, the 2017 North Bay Fires (22 fires, and the 2018 Camp Fire. According to filings in the Bankruptcy Court docket:

Nearly 83,000 Fire Victim Claims have been filed in the Chapter 11 Cases. Over 95 percent of the proof of claim forms submitted by those Fire Victims specified the amount of the claim was 'unknown'...As a result, it is not currently possible to predict what any specific claimant will be paid or a percentage recovery on such Claim any specific claimant should expect out of the approximately \$13.5 billion in total consideration that will be transferred to the Fire Victim Trust under the plan. An intensive analysis is underway to determine which of these fire victim Claims are eligible for compensation. For example, over 4,000 claims identified loss addresses well outside the perimeter of any of the relevant fire zones.

Court filings also state the settlement that the Fire Victim Trust will be funded with an **aggregate value of approximately \$13.5 billion** as follows:

- 1) **\$5.4 billion in cash** on the effective date of the Plan;
- 2) **\$1.35 billion in additional cash**, consisting of
 - a) \$650 million to be paid in cash on or before January 15, 2021 pursuant to a Tax Benefits Payment Agreement, and
 - b) \$700 million to be paid in cash on or before January 15, 2022 pursuant to a Tax Benefits Payment Agreement;

- 3) **\$6.75 billion in common stock** (478 million shares) of Reorganized PG&E Corp. representing not less than 20.9 percent of the outstanding common stock of Reorganized PG&E Corp. as of the effective date; and
- 4) The assignment of certain causes of action and insurance rights on the effective date.

The settlement stipulates that all fire victim claims shall be satisfied solely from the Fire Victim Trust with no recourse to the Debtors, the Reorganized Debtors, or their respective assets and properties. Funding of the Fire Victim Trust as provided above shall be in full and final satisfaction, release, and discharge of all Fire Victim Claims.

Status of Trust. Per a May 31, 2022 correspondence sent by the Wildfire Victims Trust Administrator Justice Trotter to the Chico-Enterprise newspaper (and posted on the Fire Victims Trust's website), responding to an editorial, the Administrator notes:

...approximately 65% of all claims have been completely evaluated at \$9.53 billion... we [the Trust Fund administrators] have authorized 45% of that amount, or \$4.29 billion to be paid. In addition to those payments, I caused the Trust to create an emergency payment program for those in dire need. It is called Preliminary Payments. They are an advance on the victims' ultimate recovery. To date, 34,000 Fire Victims have received over \$870 million in Preliminary Payments.the Trust does not have a corpus of \$13.5 billion. The Fire Victim Trust received **\$6.75 billion in cash and 478 million shares of PG&E stock**. We have sold **100 million shares for a little over \$1 billion and have 377 million shares to yet monetize**.

The stock was trading at \$9.97 on Monday, June 22, 2020 immediately after the Court approved PG&E's Bankruptcy Plan, including the stock transfer to the Trust. Since that time, the stock has been as low as \$8.29 in August 2021, and as high as \$13.01 in January 2022. The stock closed at \$9.78 on Friday, June 17th which would value the remaining shares held by the Trust at approximately \$3.7 billion. In demonstration of the volatility of the value of the stock, at the time this bill was heard in the Assembly Committee on Utilities & Energy the approximate value of the remaining shares would have been \$4.6 billion based on the closing stock value of \$12.30 at the time. One of the greatest challenges facing the Trust is managing the sale of the stock in a manner that does not have an adverse impact on the value – the Trust owned approximately 20 percent of the company on PG&E's exit from bankruptcy.

Comments

AB 2283. This bill would require the CPUC to undertake a comprehensive review of actions taken by PG&E that materially and adversely affected the value of its stocks since the approved settlement agreement. The author contends that subsequent actions to the settlement agreement by PG&E are thought to have devalued the price of the stock, leaving the Fire Victims Trust short billions of dollars for payments that were promised to victims.

CPUC lacks expertise on stock valuation and market analysis. The CPUC has shared that it lacks the expertise that would be required to conduct the proposed assessment in this bill. As currently structured this bill requires the CPUC to investigate actions that have been taken by PG&E Corporation which “materially and adversely affected the value of its stocks.” The CPUC currently does not evaluate how utility corporate behavior impacts a utility’s stock value and would need to develop expertise in order to complete a proceeding on this topic. The mission of the CPUC is to regulate services and utilities, protect consumers, safeguard the environment, and assure Californians’ access to safe and reliable utility infrastructure and services. The CPUC as a regulator and is not in a position to be a market analyst and connect the actions of a publicly held company with the reactions of the markets or to determine the ultimate cause of such reactions or what factors influence equity prices. The CPUC also cautions that questions of CPUC jurisdiction and data-gathering authority may arise, depending on positions of parties given that the shares in question are the shares of PG&E’s holding company, which is not the regulated utility, PG&E Company. The CPUC may need additional authority to fulfill the intent of the legislation and likely funding to contract an outside consulting entity that has expertise in corporate behavior and its relation to stock prices. Moreover, it is not clear how such an assessment by the CPUC would have and how it would be used if the CPUC was able to accomplish the task, and in a timeframe of value to its purpose.

Challenges with Trust selling stock to secure intended value. For contractual and market reasons, the Trust cannot sell its stock holdings all at once just because the value reaches a level that could provide the anticipated and needed revenues. A large sale of stock dumped into a market can immediately devalue its worth. Consequently, the Trust has to manage the sequencing and timing of the sale of stock to maintain its value which may not match the cash flow needed to fund claims when the administrative and investigative work is completed on the claims.

Prior/Related Legislation

AB 1054 (Holden, Chapter 79, Statutes of 2019) includes numerous provisions related to addressing wildfires caused by electric utility infrastructure, including recasting recovery of costs by electrical corporations from damages to third-parties and the authorization for an electrical corporation and ratepayer jointly funded Wildfire Fund to address future wildfire-related property damages.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT:

None received

OPPOSITION:

None received

ARGUMENTS IN SUPPORT: In support of this bill, the author states:

The Fire Victim's Trust was created to compensate fire victims for damages cause by PG&E during some of the most devastating wildfires in California's history. Victims agreed to a deal that would pay them \$13.5 billion, half in cash and half in stock that at the time of the deal was valued at \$6.75 billion. Unfortunately, subsequent actions by PG&E are thought to have devalued the stockprice, leaving the Fire Victims Trust short billions of dollars for payments that were promised to victims. AB 2283 simply asks the Public Utilities Commission (PUC) to investigate subsequent actions taken by PG&E that may have caused stock to devalue so that the Legislature can determine if future legislative action is warranted.

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