

Both sides in PG&E argue claim negotiations sabotaged

4-5 minutes

SAN FRANCISCO -- Groups interested in opening the door to competing proposals to reorganize the Pacific Gas & Electric Corp. accused the utility Tuesday of undermining settlement negotiations by refusing to talk to them while PG&E and its allies argued the committee representing wildfire victims is similarly sabotaging efforts by asking for too much money.

The two sides remained distant in their evaluations of how much wildfire claims are worth at a contentious hearing, during which a lawyer representing shareholders questioned the "credibility" of attorneys for wildfire plaintiffs.

"There's a problem starting with very high, aggressive numbers," said Bruce Bennett, who called the trustworthiness of opposing lawyers a "fundamental issue" in the negotiations.

Much to PG&E's satisfaction, U.S. Bankruptcy Judge [Dennis Montali](#) indicated he is in favor of letting the process play out and allowing a federal court judge and state court jury to value the amount of liability. He declined to appoint a mediator to lead settlement negotiations, as suggested by PG&E.

"This is not an unusual process," he said.

U.S. District Judge [James Donato](#) was appointed last month to estimate the extent of PG&E's wildfire liability -- a process unique to bankruptcy proceedings. A San Francisco County Superior Court trial on the Tubbs fire is scheduled for January.

The committees representing wildfire victims and bondholders argued in a court filing last week that Montali should again consider terminating PG&E's exclusive right to propose a plan to emerge from bankruptcy because the two groups negotiated their own proposal that would resolve all liability for \$24 billion. The utility's plan, meanwhile, resolves claims for \$8.4 billion, which would be paid through a capped trust.

Montali declined to hear arguments on the issue at Tuesday's hearing, deferring it until Oct. 7. To the judge's frustration, multiple groups discussed the plans and whether to terminate exclusivity.

PG&E attorney Stephen Karotkin assured Montali the appropriate steps are being taken so the utility exits bankruptcy proceedings by the June 30, 2020 deadline to participate in AB 1054's multibillion dollar wildfire mitigation fund. He pointed to the \$11 billion settlement with

insurance companies and the \$1 billion settlement with public entities as major progress in the case, adding the company has also secured the \$14 billion to finance its bankruptcy proposal.

"This was achieved despite efforts by bondholders, led by Elliott [Management Corporation], to do everything in their power to undermine it," he said, referring to the resolution of claims by insurers.

Karotkin urged the judge to appoint a mediator to lead negotiations between PG&E and the committee representing wildfire victims, arguing Montali did the same in the utility's 2001 bankruptcy proceedings.

Cecily Dumas, representing wildfire plaintiffs, maintained PG&E's plan is unconfirmable because it significantly underestimates the value of plaintiffs' claims at \$8.4 billion, and Montali should not waste his time considering its viability. PG&E's only concern is to "protect equity value," she added, speaking to her accusation the utility refuses to engage in good faith settlement negotiations.

"Nobody gets talked to or consulted," she said. "We get treated with complete dismissiveness."

Dumas continued by questioning how PG&E negotiated the \$11 billion settlement with insurers, explaining, "It's all way too cute."

"It's to buy the votes of insurance companies with whatever is required," she said.

Montali responded that PG&E's \$8.4 billion settlement offer is not "concrete" and "inflexible." He added that estimation proceedings and the state court jury trial may find PG&E's liability to be more than that. "If Donato decrees next week 'I estimate claims at \$25 billion,' what do you think debtors will do?" he asked. "They're stuck with it."

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