

Despite governor's objection, judge OK's PG&E settlement

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SAN FRANCISCO -- A bankruptcy judge on Tuesday approved the Pacific Gas & Electric Corp.'s plan to reorganize the utility despite the governor's refusal to bless the proposal.

U.S. Bankruptcy Judge [Dennis Montali](#) allowed the plan incorporating PG&E's settlements with wildfire victims, insurers and public entities valued at roughly \$25.5 billion to proceed to the next stages of confirmation.

"I don't think I have the wisdom or knowledge, neither is it my role, to second guess victims that say 'This is how we want to go forward,'" he said.

Attorney Nancy Mitchell, representing Gov. Gavin Newsom, said the governor doesn't believe PG&E's reorganization proposal complies with a state law for the utility to participate in AB 1054, a multi-billion-dollar wildfire mitigation fund. While he doesn't "want to stand in the way of [the settlement] being considered," Newsom is concerned about the financial requirements of PG&E's plan as constructed, she continued. "I think the parties need to recognize AB 1054 isn't a rubber stamp," she said.

PG&E's plan requires the committee representing wildfire victims to vote in favor of the utility's reorganization proposal. Newsom and objectors to the deal sought to terminate the "lockup" provision mandating the committee representing wildfire victims vote in favor of PG&E's reorganization proposal, according to court filings.

Montali was careful not to step on Newsom's toes. He said his decision won't be "defying the governor but acknowledging the governor's responsibility is broader than the bankruptcy court's." "The governor has bigger fish to fry," he said. "We have big fish but not the whole kettle."

PG&E and the committee representing wildfire victims agreed to waive a Tuesday deadline for securing Newsom's approval of a reorganization plan containing a \$13.5 billion settlement between the groups, according to a court filing Monday evening. The landmark deal would have been terminated without the agreement.

Newsom on Friday refused to support PG&E's proposal. He said PG&E won't have the financing structure to allow for billions of dollars in necessary safety investments and infrastructure hardening once the utility emerges from bankruptcy.

"My goal is to encourage those parties to achieve a swift and consensual resolution to the Chapter 11 cases that creates a new entity, one that better reflects our California values and advances the safety transformations that are required," the governor wrote in a letter to the court Monday, noting he expects a new board of governors to be appointed.

AB 1054 requires Newsom's and state regulators' approval for a reorganization plan to emerge from bankruptcy by a June 30, 2020 deadline. There are competing proposals sponsored by PG&E and a group of bondholders, which hold an estimated \$13 billion of the utility's debt, led by Elliott Management Corp. In re: PG&E Corp. bankruptcy, 19-30088 (N.D. Cal., filed Jan. 31, 2019).

Michael Stamer, representing the bondholders, said the lockup provision "destroys competition" since it requires groups that settled with PG&E to support its plan even though his client's plan is better. He argued Montali should terminate what he called a "poison pill."

Gregory Bray, representing the committee of unsecured creditors, agreed.

"What we don't accept is that the price to be paid for the settlement is a lockup that tethers parties to a plan the governor has unequivocally stated is not compliant with AB 1054 and therefore unconfirmable," he said.

Cecily Dumas, representing wildfire victims, said the committee she leads knew what it was doing when it settled with PG&E and agreed to support its reorganization proposal. PG&E won't agree to the settlement if it has to remove the lockup provision, she warned.

"We went into the agreement knowing there'd be a lockup," she said. "There is more certainty with the debtor plan."

Montali also allowed the committee representing "ghost ship" fire victims to move forward with a trial in Alameda County Superior Court over PG&E's liability in the 2016 warehouse fire. The group agreed to limit recovery to \$900 million solely against insurers, according to lead attorney Mary Alexander.

PG&E attorney Theodore Tsekerides argued Montali should order mediation. He said preparing for trial will expend money and resources that would be better spent "getting the larger Chapter 11 done."

"We have to deal with what we have to deal with," he said.

There are 53 lawsuits against PG&E and the City of Oakland in the consolidated state court litigation scheduled for trial in May.