

Judge sides with PG&E and its allies in battle over bondholders' bid for the utility

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SAN FRANCISCO -- A bankruptcy judge did not open the door Wednesday for consideration of a plan by a group of Pacific Gas and Electric Corp. bondholders to reorganize the utility, instead permitting state officials to reschedule the matter and allow key parties to negotiate a procedure for submitting other proposals.

In the wake of state lawmakers passing a wildfire mitigation bill, attorneys for Gov. Gavin Newsom and a state utilities regulatory agency warned U.S. Bankruptcy Judge [Dennis Montali](#) that he risks "derailing a successful resolution" of PG&E's bankruptcy by

the June deadline if there is no process for evaluating the competing plans.

The bill, AB 1054 creates a fund of up to \$21 billion to pay for wildfire damages if utilities are found to be a "prudent" manager in operating and maintaining its equipment but requires that PG&E emerge from bankruptcy by June 2020 to access the money.

"We cannot permit competition to turn into chaos," said California Public Utilities Commission attorney Alan W. Kornberg.

PG&E's backers, nearly all of which cite the state Legislature's passing of the bill as a "critical component" of restructuring argue terminating the utility's window to come up with its own plan will create unnecessary chaos.

The bondholders maintain their proposal is the only route for the utility to successfully reorganize by the deadline.

The parties will update Montali on the progress of the efforts at an Aug. 9 hearing. He will consider on Aug. 13 arguments over whether to terminate PG&E exclusive window to propose a reorganization plan if there is no agreement on a procedure.

Kornberg said he and Newsom's office reached out to key parties including PG&E and committees representing wildfire and subrogation plaintiffs, over the weekend to come up with a plan to "avoid multiple proposals that would make meeting the June 2020 date an impossibility."

He added the "enactment of AB 1054 is a landmark development in helping utilities cope with devastating wildfire liability," which will be essential to the reorganization plan PG&E will submit.

The state Public Utilities Commission must approve the reorganization plan approved by Montali.

PG&E attorney Stephen Karotkin agreed rescheduling the issue to ensure an "orderly process makes sense." He said the bondholders' plan welcomes competing proposals, which is what the two-week extension is supposed to encourage.

"We have to keep in mind what 's vitally important to these cases: getting a plan confirmed by June 30, 2020," he said. "The CPUC has a multitude of approval rights that must be addressed to get case out of Chapter 11:"

Matthew Stamer, the bondholders ' attorney, opposed the delay, arguing "everyday counts " since PG&E will have to confirm a plan in roughly 11 months.

Montali disagreed.

"As complicated as this case is, I don't feel terribly intimidated by getting a plan confirmed well before the deadline," he said. "To me, it's all those other things that have to happen."

Stamer warned that Montali is heading down a "path toward further entrenchment of PG&E in perpetual exclusivity," to which the judge responded "nothing would happen for a lo ng time" anyway if he were to side with the bondholders.

Montali said he sees no difference "between hearing the arguments and taking the matter under advisement" for two weeks.

PG&E has garnered the support of most parties in opposition to the bondholders' plan.

The bondholders' proposal would inject \$30 billion into PG&E in exchange for stock, which would allow the group to acquire 85% to 95% of PG&E at a price roughly \$10 billion less that what it is actually worth, according to critics.

A group of PG&E shareholders condemned it as a "naked attempt to seize control of PG&E at a fire sale price," according to court filings.

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