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PG&E TO GIVE VICTIMS MORE STOCK

Those who lost property in wildfires to get 22% of shares after bankruptcy

THE NEW YORK TIMES

Pacific Gas & Electric, the California utility that is hoping to resolve its bankruptcy filing in the coming weeks, said Friday that it had agreed to give victims of wildfires caused by its equipment more stock in the company than an earlier agreement had called for.

The deal will leave the roughly 70,000 homeowners and businesses that lost properties to the fires owning 22.19 percent of PG&E's stock once it settles its bankruptcy, the company said in a securities filing. That is up from the 20 percent agreed to by the company and lawyers representing victims in December.

PG&E had promised to pay victims an estimated $13.5 billion, half in cash and half in stock. But the company's stock price, which closed Thursday at $ll, has fallen nearly 40 percent since early February. Some victims and their lawyers were worried that they would end up with less than the targeted amount.

The new deal comes just days before U.S. Bankruptcy Judge Dennis Montali is expected to give his final approval to PG&E's plan to resolve its debts. The amended deal on wildfire compensation should help the company secure his assent by putting to rest a festering dispute between the company and the victims.

PG&E sought bankruptcy protection in January 2019 after accumulating an estimated $30 billion in wildfire liabilities. The fires included California's most devastating, the 2018 Camp fire, which killed scores of people and destroyed the town of Paradise.

The utility needs to secure court approval for its bankruptcy plan before June 30 in order to participate in a $20 billion wildfire fund that state lawmakers created last year to help privately owned utilities cover the costs of future fires.

PG&E needs the support of the wildfire fund to convince investors that the company will be protected against multibillion-dollar claims from future fires started by its equipment.

Earlier this week, the company overhauled· its board with 11 new directors. That action Wednesday followed an announcement Monday that the utility giant plans to sell its iconic downtown San Francisco headquarters and relocate to Oakland, a move aimed at lowering costs.

PG&E had agreed to overhaul its board as part of reforms promised to Gov. Gavin Newsom to earn his sign-off on the company's reorganization. The company said last month that only three of its current board members would remain after it emerged from bankruptcy, including AT&T executive Bill Smith, who will become interim chief executive after Bill Johnson, the current interim CEO, leaves June 30.

The board will consist of 14 members. The new directors with utility experience include Mike Niggli, the former chief operating officer for the corporate parent of San Diego Gas & Electric, which has a better safety track record than PG&E; former Federal Emergency Management Association Agency administrator Craig Fugate; and longtime Silicon Valley executive Jessica Denecour.

Other new directors have safety, utility, regulatory, cybersecurity and customer relations expertise, PG&E said.

"Putting in place a new board is a critical component of PG&E's plan to emerge from bankruptcy as a reimagined utility," Nora Mead Brownell, the current chair of PG&E's board, said in a statement. "This is the right time for a changeover given that the company will soon emerge from bankruptcy and start anew chapter."

Brownell is among the current members stepping down.

The reorganized utility will move to its new Oakland headquarters next to Lake Merritt in phases, starting in 2022. PG&E, which has called San Francisco its home since the utility's founding in 1905, plans to lease its new building, with the option to purchase the property from developer TMG Partners for $892 million, according to a regulatory filing Tuesday.

With the move, PG&E becomes one of the most high-profile companies to leave San Francisco for Oakland.

The sale of its headquarters also allows the utility to profit off one of the tightest and most expensive U.S. office markets.

PG&E said any net gains realized from a sale would be passed on to customers, and a transaction wouldn't occur until it exits bankruptcy.

"Our new Oakland headquarters will be significantly more cost-effective, is better suited to the needs of our business, and is a critical part of fulfilling our commitment to operate in a fiscally responsible way that will enable us to achieve our operational and safety goals," Smith said in the statement.

PG&E said TMG will upgrade its Oakland property at its own cost according to the company's specifications, which will allow for a flexible office layout and new safety measures in the wake of the coronavirus crisis. The location will also make commuting easier for the majority of its employees who already live in the East Bay, PG&E said.

It plans to consolidate its two other East Bay offices into the new Oakland headquarters.

Bloomberg News contributed to this report.