



PG&E BANKRUPTCY – BACKGROUND,
UPDATE, AND PATH FORWARD

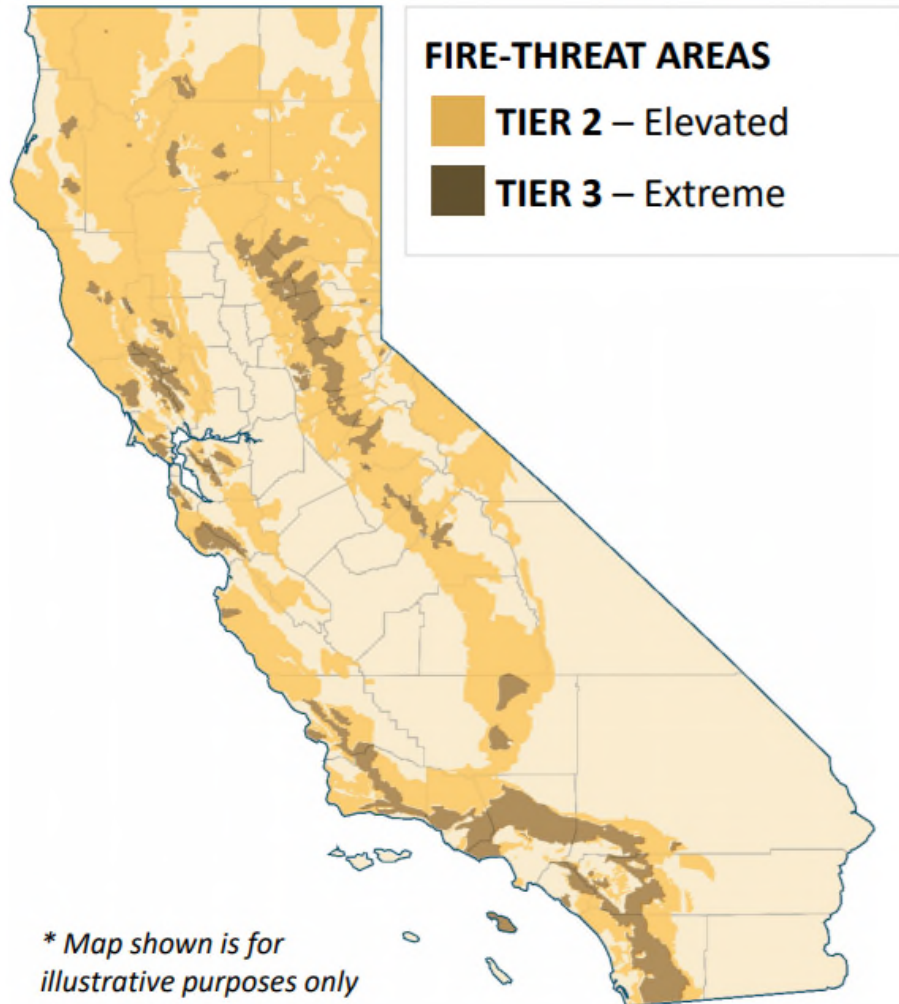


TOPICS

- **Wildfire Threat Grows**
- **Timeline to Bankruptcy**
- **Inverse Condemnation, Explained**
- **Legislative Activity**
- **CPUC Actions**
- **PG&E Actions**
- **Implications for the Future**



CA WILDFIRE THREAT ELEVATED; FIRES MORE DESTRUCTIVE



Most destructive wildfires in California recorded history over the last 13 months

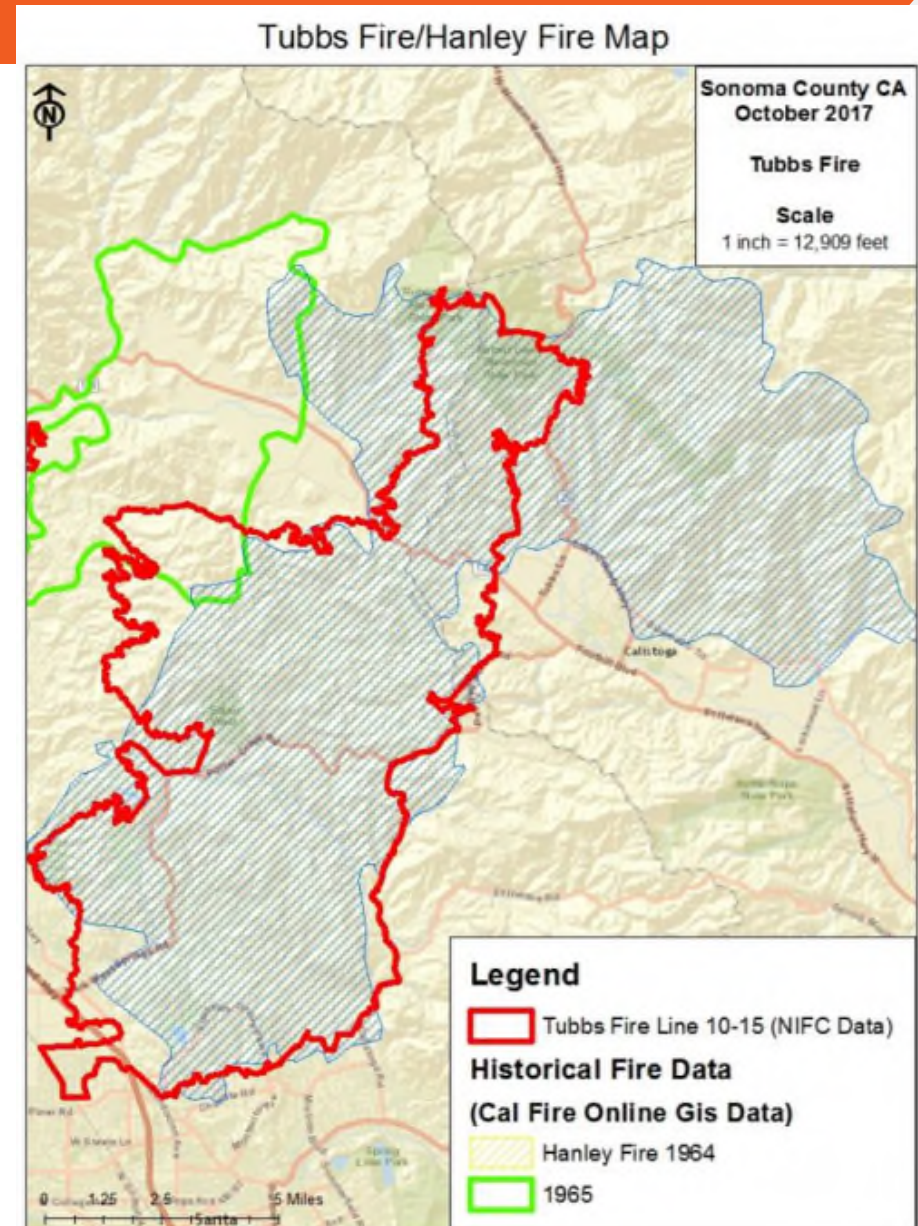
- #1 Camp Fire: 18,804 structures destroyed
- #2 Tubbs Fire: 5,636 structures destroyed
- #7 Carr Fire: 1,604 structures destroyed
- #8 Woosley Fire (Los Angeles/Ventura): 1,500 structures destroyed (November 2018)
- #9 Nuns Fire (Sonoma): 1,353 structures destroyed (October 2017)
- #10 Thomas Fire (Ventura/Santa Barbara): 1,063 structures destroyed (December 2017)
- #14 Atlas Fire : 783 structures destroyed
- #20 #20 Redwood Valley Fire (Mendocino): 546 structures destroyed (October 2017)

Source: *CALFIRE plus Camp Fire incident update (as of 11/24/18)*

- 15% of CA's 2018 CO₂ emissions
- 1 in 10 wildfires are caused by utilities

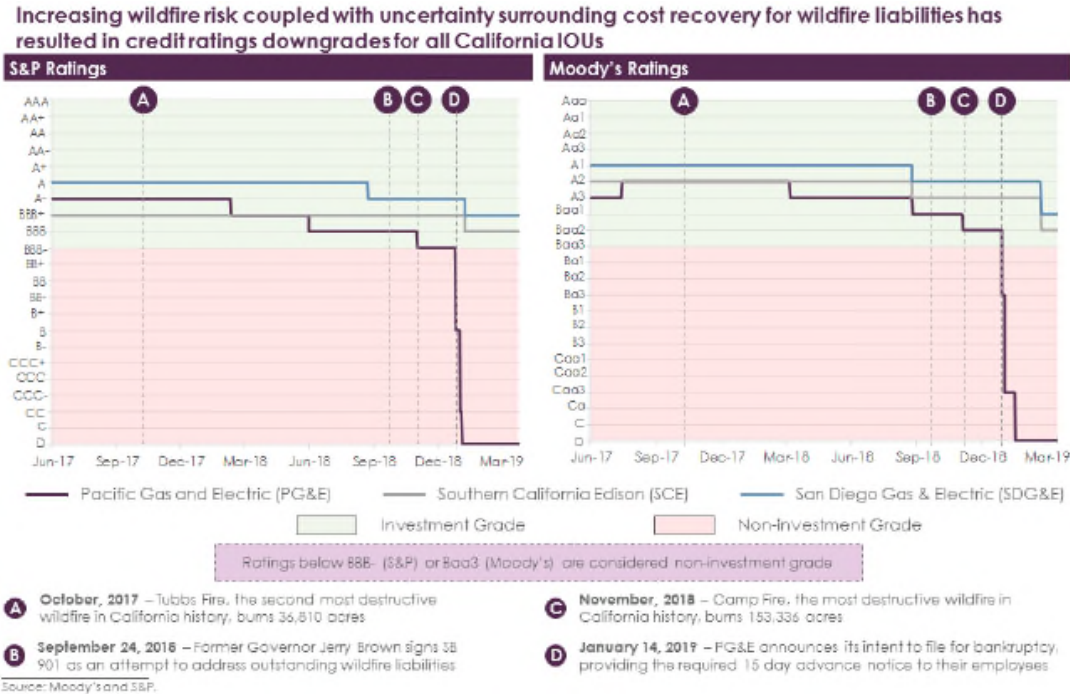
WHAT HAS CHANGED?

- Forest density up 5x
- Housing construction up 700% from 1960s in the Wildlife Urban Interface
- After fires, homes density increases



TIMELINE TO BANKRUPTCY

- October 2017: Tubbs (Santa Rosa) Fire (not PG&E caused)
- November 2018: Camp (Paradise) Fire
- 16 Nov 2018: CPUC Declares Support, PG&E Stock Rises
- 21 Dec 2018: CPUC Launches Governance Investigation
- Early Jan 2019: PG&E Downgraded
- 14 Jan 2019: 15 Day Bankruptcy Notification
- 29 Jan 2019: Bankruptcy Filed



INVERSE CONDEMNATION

- California Constitution article I, section 19:
“[p]rivate property may be taken or damaged for a public use and only when just compensation...has first been paid to...the owner.”
- CA entities subject to inverse condemnation: governments and utilities
 - Alabama is the only other state which includes utilities
- If utilities do nothing wrong, still liable



LEGISLATIVE ACTIONS

- SB 901 (Dodd, 2018)—multifaceted bill
 - Adopts “prudent manager standard”
 - “Stress test” for liability and payments
 - Does NOT apply to 2018 fires
- AB 1054 (Holden, 2019) – Liquidity Fund
 - \$10B from ratepayers
 - \$11B of IOU equity
 - IOUs can use fund without having to pay it back, provided they are found not negligent
 - PG&E must exit bankruptcy by June 2020; ratepayers must not pay for past wildfires
 - Creates a CPUC “Wildfire Safety Division”
- AB 235 (Mayes, 2019) – Bonding Authority?



Wildfires and Climate Change: California's Energy Future

A Report from Governor Newsom's Strike Force

April 12, 2019

CPUC ACTIONS - GOVERNANCE

- Investigation 15-08-019: PG&E Organizational Culture

The Commission will examine PG&E's...current corporate governance, structure, and operations to determine if the utility is positioned to provide safe electrical and gas service, and will review alternatives to the current management and operational structures of providing electric and gas service in Northern California.

- Separate gas/electric utilities?
- Municipalize?
- Review/revoke license to operate?
- Change holding company structure? BCorp?
- Tie compensation to safety outcomes?

SF should explore buying out PG&E and switching to public power, says commission

Earliest estimates imagine costs of "a few billion dollars" for energy independence

By [Adam Brinklow](#) | May 14, 2019, 8:28am PDT

- A 18 June ruling asked parties to file comments by 19 July on reform

CPUC ACTIONS - WILDFIRE

- Utility Mitigation Plans (Rulemaking 18-10-007)
 - Required by SB 901
 - Approval necessary to meet “prudent manager” requirement of AB 1054
- Enforcement (AB 1054)
- Investigation started in late June 2019 for activities during the 2017 wildfire season.
 - Violations for 12 wildfires



PG&E ACTIONS - MANAGEMENT

- Funding/Payments
 - \$5.5B in debtor-in-possession funding available
 - Paying all bills post petition
- Leadership
 - Geisha Williams (ex-CEO) and 3 Senior VPs out in January
 - Bill Johnson, former TVA/Duke/Progress Energy head, named new CEO, along with 10 new Board Members in April 2019
- Internal Reorganization



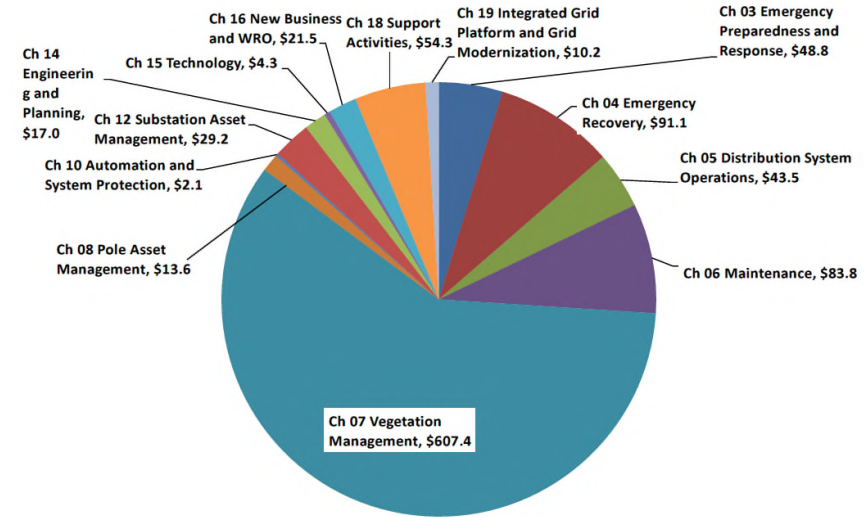
PG&E ACTIONS - REORGANIZATION

- Bankruptcy plan to be filed by 9 September. PG&E states that the plan will include:
 - Payment of prepetition debt obligations
 - Satisfaction of prepetition wildfire claims agreed to by the court
 - **Assumption of all PPAs and CCA service agreements**
 - **Rate neutrality for customers**
- Challenges to PG&E's exclusive right to develop an initial plan was rejected by the bankruptcy judge
- A jury trial in the Tubbs (Santa Rosa, 2017) Fire allowed to move forward



PG&E ACTIONS - WILDFIRES

- Major new inspections and vegetation management
 - Mitigation plan approved on May 30
- 2020-2022 Rate Case
 - Return on equity of 16%
 - \$607MM for vegetation management



Distribution Expenses, 2020-2022 GRC

- Public Safety Power Shutoffs (PSPS)—All utilities have more discretion, but largely still a “last resort”.



WHAT MIGHT A FUTURE PG&E LOOK LIKE?

- Separate electric/gas, major changes to holding company, and municipalization unlikely
- Review/revoke license to operate possible
- Tying compensation to safety already happening to a degree, could accelerate
- Eventually, wires only?

BRIEF

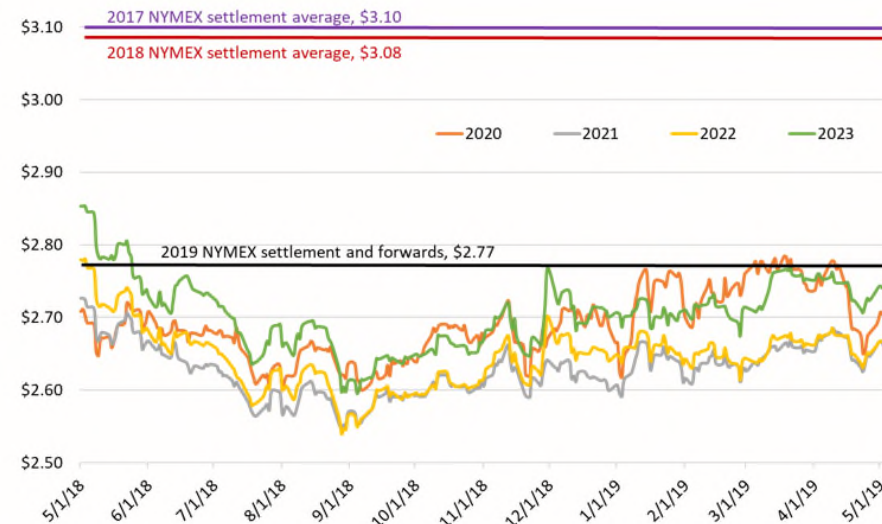
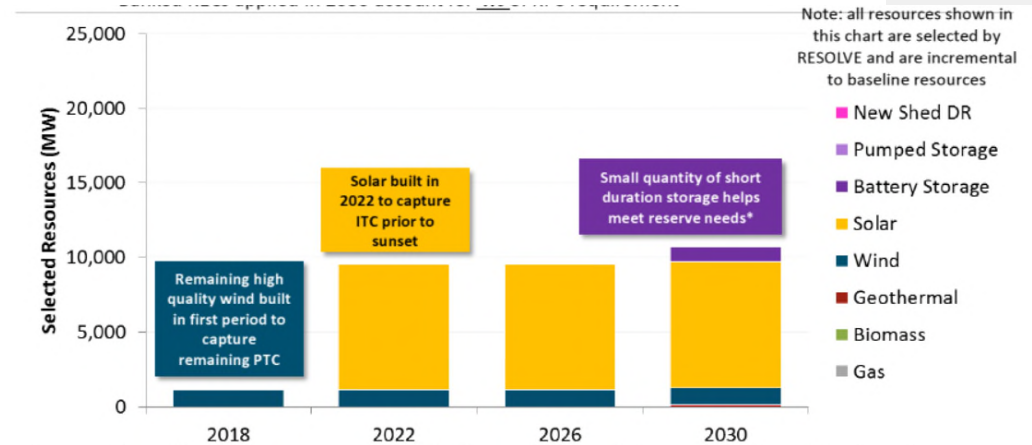
Splitting apart PG&E could hurt California's carbon neutrality goals, Sierra Club says

ENERGY

Why SDG&E wants to get out of the business of buying electricity

MARKET IMPACTS

- Renewable Energy
 - Existing contracts likely to be honored
 - SB 100, corporate, and LSE purchases driving procurement
- Natural gas
 - US NG prices expected to remain low
 - CA prices influenced by pipeline operations
 - SB 100, statewide electrification push to depress NG demand



OPPORTUNITIES FOR GREATER CUSTOMER CHOICE

- DA and CCA Options to Expand
- Higher utility rate of return requests supports self generation economics
 - Regulatory and legislative actions too
- PG&E reorg to be “rate neutral”?



GRID EDGE

California Proposes \$100M in Energy Storage Incentives to Boost Wildfire Resiliency



Thank You

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