

May 11, 2020

Hon. Marybel Batjer, President  
Hon. Martha Guzman Aceves  
Hon. Liane Randolph  
Hon. Clifford Rechtschaffen  
Hon. Genevieve Shiroma

California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: Proposed Decision on PG&E's Plan of Reorganization  
I. 19-09-016

President Batjer and Commissioners:

We, the undersigned, serve as the Steering Committee for a coalition of 204 mayors, county supervisors, and city councilmembers representing more than 9 million residents in Northern and Central California. Our group formed after the bankruptcy of Pacific Gas and Electric Company and its parent, PG&E Corporation, in order to advocate a different path for the company, one that will place the public interest ahead of shareholder interests. We write today in our individual capacities as elected and appointed leaders.

We appreciate the difficult task you face in fulfilling the Commission's duty to consider and approve a Plan of Reorganization, a role required under both federal and state law. However, we write to express our strong support for the comments filed by the City of San Jose, which is a formal party in the proceeding, which raise serious concerns regarding recommendation of the Proposed Decision (PD) for approval of the PG&E Plan of Reorganization. The PD glosses over a critical issue that you cannot ignore: ensuring that the company will emerge from bankruptcy financially sound, and capable of raising tens of billions of dollars for the vitally needed maintenance and system improvements required for the grid's safety and reliability.

As our coalition expressed in its letter to you of November 4, 2019:

“The bankruptcy code requires that the reorganized PG&E to be a feasible, financially stable enterprise, able to perform its functions for the long term. Under Section 1129 (a)(11) of the Bankruptcy Code, the Court may not confirm a Plan that does not meet this standard. Even without that mandate, as a matter of public policy, this should be a primary consideration.”

When PG&E filed for bankruptcy it had a little over \$22 billion in debt. Now, under its current plan of reorganization, PG&E is attempting to emerge from bankruptcy with nearly \$40 billion in debt, an increase of over 80%. Meanwhile, the PD makes no finding of fact demonstrating any confidence that PG&E will be able to attract the capital required to make on-going improvements in its system. The Company's CEO, William Johnson, testified that PG&E will need to raise some \$40 billion over the next five years for system hardening, wildfire protection, and to reduce PSPS events. That capital requirement comes in addition to the nearly \$60 billion in claims PG&E has agreed to pay as part of its exit from bankruptcy with only \$9 billion in new cash equity. Astoundingly, the PD does not even address the emergent company's ability to access capital markets.

The PD further ignores that under PG&E's plan, its holding company, PG&E Corporation, would emerge with some \$5 to \$6 billion in debt already. This should give the Commission grave concern when considered in light of the testimony of both the company's Chief Financial Officer and the company's outside financial expert witness that its debt would not achieve an investment grade.

Put simply, the PD would have PG&E Corporation emerge from bankruptcy as a junk bond company. This is unacceptable for the sixteen million Californians already imperiled by the company's serious lack of safety, financial stability, and reliability. They cannot place their homes, their livelihoods, and their futures on the prospects of a company that issues junk bond debt. If the Commission were to approve, it would confer on PG&E the dubious distinction of being the only publicly-traded utility holding company in the nation that is not credit-worthy.

What's worse, the PD would grant PG&E an unrestricted five-year waiver of traditional capital requirements, allowing the company to take on even more debt over that time, so long as it submits a "plan" for deleveraging at some point. This financially fragile company would be allowed to take on further debt burden, paying excessive interest rates due to holders of "junk bond" debt, with no objective standards imposed by the Commission. We urge you to do more.

The Commission must address this issue of financial viability. We stand with the City of San Jose, The Utility Reform Network, and others, in urging the Commission to condition any PG&E plan on an increased commitment of equity and reduced amount of debt.

Too often, the urge to push a bankrupt company through the reorganization process leads to a weak enterprise stumbling until its next collapse. PG&E has failed financially twice in the past 20 years, and we have no reason to believe that it will not enter bankruptcy again, after the next wildfire season. The PD gives the public no comfort, and we urge you to do more.

If PG&E cannot emerge as a financially viable, reliable utility, then the Commission should pursue another path. We stand ready to work with you on a truly long-term solution.

Signed,

Mayor Sam Liccardo, City of San Jose  
Mayor Libby Schaaf, City of Oakland  
Mayor Michael Tubbs, City of Stockton  
Mayor Jan Pepper, City of Los Altos  
Mayor Susan Seaman, City of Eureka  
Supervisor Scott Haggerty, Alameda County Board of Supervisors  
Supervisor Dave Pine, San Mateo County Board of Supervisors  
Supervisor Das Williams, Santa Barbara County Board of Supervisors  
Supervisor Ryan Coonerty, Santa Cruz County Board of Supervisors  
Supervisor Debra Lucero, Butte County Board of Supervisors  
Supervisor Zach Friend, Santa Cruz County Board of Supervisors

cc:

Hon. Gavin Newsom, Governor  
Hon. Toni G. Atkins, President Pro Tem, California State Senate  
Hon. Anthony Rendon, Speaker of the California Assembly  
Hon. Ben Hueso, Chair Senate Committee on Energy, Utilities & Communications  
Hon. John M.W. Moorlach, Vice Chair Senate Committee on Energy, Utilities & Communications  
Hon. Chris R. Holden, Chair Assembly Committee on Utilities & Energy  
Hon. Jim Patterson, Vice Chair Assembly Committee on Utilities & Energy

Administrative Law Judge Peter Allen  
Service List I.19-09-016