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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN FRANCISCO DIVISION

In re:  
PG&E CORPORATION,  
- and -  
PACIFIC GAS AND ELECTRIC  
COMPANY,  
Debtors.

Case No. 3:19-cv-05257-JD  
**STATUS CONFERENCE  
STATEMENT**

Date: April 30, 2020  
Time: 2:00 p.m.  
Place: Courtroom 11

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28**I****INTRODUCTION**

This Status Conference Statement is submitted by a substantial group of fire victims who suffered injuries and were damaged by the PG&E fires in Sonoma, Napa, Mendocino and Butte Counties in 2017 and 2018.

**II****AN ESTIMATION TRIAL IS NECESSARY**

An estimation trial is necessary because the amount to be paid to the fire victims by Pacific Gas and Electric Company and its parent, PG&E Corporation (collectively, “PG&E” or “Debtors”), is substantially less than the \$13.5 billion “advertised”. PG&E is now a convicted felon for causing the Camp Fire by acting with wanton disregard for the safety of others. The Camp Fire killed 86 individuals. Those victims are entitled to punitive damages, which are now highly likely, as a result of the convictions. Obviously, this possibility could increase the \$13.5 billion dramatically.

**The Agreed-Upon Consideration Does Not Amount to \$13.5 Billion**

The agreement entered into between PG&E and the Tort Claimants Committee (“TCC”), was intended to pay fire victims \$13.5 billion, the terms of which are contained in a Restructuring Support Agreement (“RSA”) purportedly entered into on or about December 5, 2019. The settlement provides for \$13.5 billion to be paid one-half in cash and one-half in post-bankruptcy PG&E common stock. Pursuant to the RSA, the cash portion is to be paid into a to-be-established “Fire Victims’ Trust Account” (the “Trust”) in three installments – \$5.4 billion on August 29, 2020; \$650 million by January 15, 2021 and \$700 million by January 15, 2022. The later two payments bear no interest and have questionable security.<sup>1</sup> Likewise, the stock portion would be paid on August 29, 2020 into the Trust, and then sold over a period of time. The terms

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<sup>1</sup> The security hinges on a successful IRS ruling that net operating losses (“NOLs”) will not be lost if the amount of stock transferred upon exit from bankruptcy creates a change in ownership, which usually places the NOL in jeopardy. If the IRS tax ruling is unfavorable, the tort victims will receive an unsecured promissory note.

1 of the RSA, with some modification, were incorporated into PG&E's Plan of Reorganization  
2 ("Plan"). Significantly, the Plan does not provide the fire victims with the agreed-upon \$13.5  
3 billion.

4 We agree with the TCC that PG&E has breached the RSA by making material changes to  
5 the Restructuring Support Agreement. The TCC did not agree to these material changes. As the  
6 chart below show, the agreed-upon value of \$6.75 billion in PG&E stock does not have that  
7 value. The PG&E stock does not have anywhere near the \$6.75 billion value as promised. In  
8 addition, a substantial portion of the cash consideration is in the distant future, and will be  
9 unsecured. See, Declaration of Eric Lowrey, CIRA (attached as Exhibit A), In Support of  
10 Objection by Certain Fire Victims to Debtors' Motion Pursuant to 11 U.S.C. 105(A) and 502(C)  
11 to Establish Amount of Fire Victim Claims for all Purposes of the Chapter 11, I re PG&E  
12 Corporation, Civil Case No. 19-05257 (JD), Doc. No. 307 (04/03/20).

13 PG&E unilaterally amended its capital structure by substantially reducing its equity by \$3  
14 billion and substantially increasing its debt-load by more than \$3.7 billion. These material  
15 changes were not agreed to by the TCC. These acts will substantially lower the value of the  
16 common stock which were to be received. In addition, restrictions on payments of dividends for  
17 a period of three years will also substantially affect the value. To put these actions in context,  
18 PG&E (as of April 27, 2020) had an equity value of approximately \$5.4 billion

19 Moreover, because of the recent dramatic downturn in the economy due to coronavirus,  
20 the value of any post-bankruptcy PG&E stock will be greatly reduced – again lowering the \$13.5  
21 billion which PG&E agreed to pay the fire victims.

22 Thus, it is obvious that the value of the consideration to be transferred to the Trust is  
23 substantially less than the promised \$13.5 billion, and current economic conditions puts the value  
24 and timing of that consideration at risk of further reduction and threatens to delay payment of the  
25 cash portion of the settlement consideration. Forty percent of the cash portion of the  
26 consideration – *i.e.*, \$5.4 billion – would be paid when PG&E exits bankruptcy which is supposed  
27 to be by August 29, 2020. However, that effective date is problematical due to the Contingency  
28 Plan added to the Plan of Reorganization as part of the agreement between PG&E and Governor

1 Newsom’s office, which now could extend the time of the first payment to December 31, 2020.

2           Additionally, 10% of the total cash consideration – *i.e.*, \$1.35 billion – is deferred without  
3 interest until January 15, 2021 (\$650 million) and January 15, 2022 (\$700 million)<sup>2</sup> and is based  
4 on questionable security. Such deferred “cash” is not cash set aside by PG&E and held for the  
5 benefit of the fire victims, but rather this “cash” is yet to be earned by PG&E and is subject to  
6 various uncertainties and risks related to PG&E’s ability to realize cash benefits from tax  
7 attributes as well as any traditional business and credit risks.

8           The other half of the \$13.5 billion in consideration – *i.e.*, \$6.75 billion – is in common  
9 stock in the reorganized PG&E, which currently is worth substantially less than the touted \$6.75  
10 billion. This stock will be liquidated in order to provide much-needed cash for the fire victims.  
11 However, the sale of this stock will be subject to restrictions on timing of the liquidation by  
12 PG&E alone, which restrictions have not been disclosed as yet. In fact, PG&E has failed to  
13 deliver the stock Registration Rights Agreement, that is an important part of the deal, and which  
14 impacts the \$6.75 billion stock value. Moreover, because PG&E is not going to be able to pay  
15 dividends for 3 years, the market price of this common stock will be negatively affected because  
16 most institutional investors manage funds that are prohibited from acquiring a stock that pays no  
17 dividends.

18           Eric Lowrey, a Certified Restructuring and Insolvency Advisor, has advised the U.S.  
19 District Court that the true value of the PG&E stock is only \$4.85 billion, not the \$6.75 billion  
20 PG&E and the proponents of that plan assert. And Mr. Lowrey has further advised the Court that  
21 there is substantial risk that PG&E will fail to raise the necessary financing to exit bankruptcy on  
22 the timeline contemplated, *i.e.* August 2020. See, Declaration of Eric Lowrey, *supra*. Mr.  
23 Lowrey correctly points out that among the subrogation claimants, unsecured noteholder  
24 claimants, and tort victims, everyone receives cash except the victims as shown below:

25 ///

26 ///

27 \_\_\_\_\_  
28 <sup>2</sup> Because there is no interest on the two deferred payments, they would need to be discounted by  
about \$45 million – a not insignificant amount.

## Individual Fire Victims the Only Claimant Group to Receive Deferred Cash & Equity

While every other claimant group is to receive 100% cash or secured debt, 60% of the consideration to be transferred to the Victim Trust is exposed to the risk of diminution of value prior to receipt

\$Millions

CLAIMANT GROUPS	TREATMENT OF CLAIMS			TOTAL
	Cash / New Debt	Deferred Cash	Equity	
Debtor-In-Possession Financing	2,000	0	0	2,000
Trade Claims and Other Costs	2,300	0	0	2,300
Prepetition Debt & Accrued Interest	23,450	0	0	23,450
Subrogated Wildfire Liability Claims	11,000	0	0	11,000
Public Entities Wildfire Liability Claims	1,000	0	0	1,000
Individual Fire Victim Liability Claims	5,400	1,350	6,750	13,500
				\$53,250

- Individual victims are the only claimants to receive at-risk deferred cash and/or equity
- The \$1.35 billion of deferred cash and the Fire Victim Equity are exposed to significant risks
  - Fire Victim Equity to be contributed to the Victim Trust currently estimated to be worth approximately \$4.85 billion, materially less than \$6.75 billion, and it could decline further
  - Significant risk of negative impacts due to current economic downturn, including the potential for the Debtors' earnings forecast to be reduced and reduced liquidity due to customer non-payment
  - Cash tax benefits needed to fund \$1.35 billion of deferred cash payments may not be realized
  - Potential future wildfire liability claims made against PG&E would be senior to Victim Equity

Source: Disclosure Statement for Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization.

1) Based on uses of \$59.0 billion in PG&E POR, including \$1.35 billion in deferred cash for the Victim Trust. Not shown is the \$5.0 billion wildfire fund contribution and \$0.75 billion of B/S cash.  
 2) Comprised of \$13.875 billion in cash and \$9.575 billion in new secured debt. The \$9.575 billion of new, secured debt to be senior in priority to deferred cash and equity yet to be contributed to Victim Trust upon PG&E's exit from bankruptcy. Secured debt will also be senior in priority to any future wildfire liability claims filed against PG&E (deferred cash and equity will not be).

It is woefully apparent that this PG&E "new deal" is a bad deal for fire victims, especially when one considers that all other creditors, along with Equity and the Noteholders, are getting all cash payments and stand to make billions of dollars upon PG&E's exit from this Chapter 11 proceeding. The only group of creditors who are at risk of getting less than they deserve are the fire victims – the very individuals who suffered the most from the PG&E-caused wide fires. The vast majority of fire victims, who were not members of any committee and therefore whose voices were not heard, but to whom the TCC nevertheless has a fiduciary obligation to maximize their recoveries, did not agree to take less than the \$13.5 billion they were promised they would receive. That is why three members of the TCC have resigned because they cannot support the proposed settlement in such circumstances.

Meanwhile, the proponents of the PG&E settlement are broadcasting to fire victims that the only way to get paid promptly is to vote "Yes" on the PG&E plan. But that representation is

1 inaccurate and misleading because it will be years before any payments are made from the Trust  
2 to the fire victims. Indeed, the statements by the proponents of the PG&E plan that a “No” vote  
3 will result in years of chaos and litigation and the possible breakup of the company is not correct  
4 because there is a viable back-up plan proposed by the Customer-Owned Utility (“C-OU”) group,  
5 which would provide the fire victims with \$13.5 billion all cash, meet the June 30, 2020 deadline  
6 for joining the wildfire insurance fund, and be paid into the Fire Victims Trust by September 30,  
7 2020. See Declaration of Francis O. Scarpulla (attached as Exhibit B) In Support of Objection to  
8 Debtors’ Motion, Case No.: 19-cv-05257-JD, Doc. No.: 306-1.

### 9 III

#### 10 HOW DID THIS HAPPEN TO FIRE VICTIMS?

11 A number of mistakes were made which materially affected the fire victims’ settlement.  
12 Initially, it appears that the subrogation claimants (many of whom are hedge funds who purchased  
13 such insurance subrogation claims at thirty cents on the dollar) abandoned any meaningful  
14 negotiations with the TCC and obtained an \$11 billion all-cash deal with the PG&E equity group  
15 (also led by a group of hedge funds which would make billions of dollars upon exit from  
16 bankruptcy). Once the subrogation claimants joined PG&E any negotiating strength of the TCC  
17 was greatly weakened.

18 Another mistake was not to engage with the noteholders (possessing trillions of dollars in  
19 assets) who apparently were ready, willing and able to offer an all-cash \$13.5 billion deal for the  
20 fire victims. The noteholders were not engaged at any stage in these discussions. The  
21 noteholders were led by Fidelity, Capital Re, PIMCO, Elliott Management. These companies  
22 alone have some \$7 trillion under management. While it is common knowledge that a mediation  
23 session took place, one wonders why the noteholders’ settlement proposal was not accepted,  
24 which caused them to join with equity and effectively eliminate all competition for the fire  
25 victims’ damages amount.<sup>3</sup> Once that happened, all fire victims were at the mercy of PG&E and  
26 Equity, except that the TCC had an automatic RSA withdrawal provision if Governor Newsom

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27 <sup>3</sup> When two competitors enter into a contract to the injury of a party, that may be deemed to be a  
28 violation of Section 1 of the Sherman Act for which the combining parties can be liable for treble  
damages.

1 rejected PG&E's proposal, as he eventually did. However, rather than terminate the deal, the  
2 TCC agreed to revise the RSA by deleting such automatic withdrawal right. After that revision,  
3 the TCC could escape from the RSA only if its fiduciary obligations required it to withdraw from  
4 the PG&E RSA.

5 Now that it is obvious to anyone examining the PG&E "deal" objectively that it is not in  
6 the interests of fire victims to approve it, the TCC still has not utilized the fiduciary-out provision  
7 of the RSA.

8 It also is obvious that the "deal" protects the current shareholders who swooped in the buy  
9 PG&E stock when it was at all-time lows and who will now reap billions of dollars in profits at  
10 the expense of the fire victims, who are ordinary citizens, small business owners, non-profit  
11 volunteers and other similarly-situated victims who were simply going about their everyday lives  
12 when a disaster fell upon them. Yet they alone among all of the creditors are being asked to take  
13 the risk of a future stock price, the risk that PG&E will be able to realize certain tax benefits, and  
14 the risk that all of the cash portion of the settlement will ever show up in the Trust

15 **IV**  
16 **WHY DOES PG&E WANT THIS COURT TO FIND**  
17 **\$13.5 BILLION AS THE TOTAL AMOUNT OF DAMAGES?**

18 One has to wonder why PG&E is asking this Court to find that its total liability, as spelled  
19 out in the Plan how it is to be paid, is \$13.5 billion. Is it because the way the consideration is  
20 structured it really is not \$13.5 billion in actual value to the fire victims? That certainly is true.  
21 But also, should this Court find that the PG&E-valued \$13.5 billion is the actual damages, PG&E  
22 would use that finding as *res judicata* for any fire victim who chose to take a personal injury or  
23 wrongful death case to state court for a jury trial, thereby denying that fire victim's Constitutional  
24 due process rights. Additionally, PG&E could use that finding to deny or reduce any punitive  
25 damage claims by Camp Fire victims who were injured by a convicted felon. Therefore, we  
26 respectfully request that this Court not find, without a full and complete estimation trial, that  
27 \$13.5 billion is the total damages suffered by all the fire victims.

28 **V**  
**WHAT IS THE REMEDY?**

1 We do not propose that this Court scrap the PG&E plan altogether, but rather that it  
2 consider how to resolve all of the outstanding issues so that the fire victims receive \$13.5 billion  
3 as they were promised.

4 One way is for the subrogation claimants, who currently are to receive \$11 billion in cash,  
5 to contribute \$3.7 billion in cash to the fire victims' Trust and take \$3.7 billion in stock. Thus,  
6 the fire victims would receive \$10.45 billion in cash and \$3.05 billion in stock.

7 Then, there are the noteholders who originally offered the fire victims \$13.5 billion in  
8 cash. These same noteholders could contribute \$3.05 billion in cash to the fire victims and take  
9 for themselves an additional \$3.05 billion in stock, so that the victims would receive \$13.5 billion  
10 in cash.

11 Alternatively, or in addition, the noteholders could agree to convert some or all of their  
12 debt to equity thereby reducing the debt-load on PG&E and presumably increasing the value of  
13 the stock post-bankruptcy.

14 Additionally, there is now a back-up proposal from the C-OU group which would provide  
15 the fire victims with an all-cash payment of \$13.5 billion and permit PG&E to meet the June 30,  
16 2020 wildfire insurance fund requirements of AB1054, with payment of the all-cash \$13.5 billion  
17 into the Fire Victims Trust by September 30, 2020. See Declaration of Francis O. Scarpulla  
18 *supra*. However, the fire victims have not been permitted to even consider that proposal.

19 While it is not known exactly why a group of 13 plaintiffs firms, who allege they  
20 represent thousands of fire-victim claims, keep advocating for the obviously-flawed PG&E  
21 settlement, one could guess it is because certain law firms may reap hundreds of millions in fees  
22 while avoiding a trial of the Tubbs preference cases (which the TCC asked be sent to the San  
23 Francisco Superior Court for a jury trial when Cal Fire did not find PG&E at fault for the Tubbs  
24 Fire). After those Tubbs preference cases were before a state-court judge for trials, PG&E and  
25 certain lawyers who represented Tubbs preference clients, and who also had clients on the TCC,  
26 entered into settlement agreements which are to be paid from the Trust – unlike the unliquidated  
27 fire victims' claims which may take years to process and fully pay. The amount of those  
28 settlements, however, are secret. As these settlement amounts are to be paid from the Trust,



1 PG&E could care less how much the Tubbs plaintiffs were paid in settlements, which are now  
2 liquidated claims and can be paid immediately from the Trust once it is funded. The attorneys can  
3 be expected to seek fees for those settlements. Because of the settlement with PG&E, the Tubbs  
4 claimants also were able to avoid any damages estimation trial, were the District Court Judge was  
5 to rule on the total damages caused by PG&E. As only PG&E could settle the Tubbs preference  
6 lawsuits and avoid an estimation trial, the Tubbs claimants had no incentive to pursue other non-  
7 PG&E settlements, even though at least two of them – the noteholders and, more recently, the  
8 C-OU, both of whom offered fire victims \$13.5 billion all cash.

9  
10 The proponents of the PG&E plan are inundating their clients as well as all fire victims,  
11 whether represented by them or not, with misinformation. These proponents claim that rejecting  
12 the PG&E plan will not lead to a better deal because PG&E cannot pay out more to the fire  
13 victims and emerge from bankruptcy as a viable utility. This is simply not true, because the  
14 claims of individual wildfire victims are senior in priority to pre-petition equity claims, which  
15 means fire victims will get paid in full before equity. However, as the plan now stands, rather  
16 than equity getting paid last – if at all – it will reap about \$5.8 billion under the current plan of  
17 reorganization. So, rather than fight for the fire victims, the lawyers who were supposed to be  
18 protecting fire victims left about \$5.8 billion on the table.

## 19 VI

### 20 CONCLUSION

21 We respectfully submit that this Court should not confirm the estimation amount of  
22 PG&E, but rather set a schedule for an estimation trial as early as possible in May. In addition to  
23 setting the trial, this Court should now order all interested parties to a mediation beginning as  
24 early as this week with the two mediators who almost had this complex litigation case settled –  
25 The Honorable Daniel Weinstein (Ret.) and Robert Meyer – and allow the parties one week to  
26 resolve all outstanding issues and achieve a \$13.5 billion all cash fund for the fire victims and a  
27 plan that can be confirmed.

28

1 Dated: April 27, 2020

2 By: /s/Jeremiah F. Hallisey  
Jeremiah F. Hallisey

3 By: /s/Francis O. Scarpulla  
Francis O. Scarpulla

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**CERTIFICATE OF SERVICE**

I, Jeremiah F Hallisey, declare as follows:

I am a citizen of the United States and over the age of eighteen (18) years and not a party to the within action. My business address is 465 California Street, Suite 405, San Francisco, CA 94014.

On April 27, 2020, I served document(s) described as:

**STATUS CONFERENCE STATEMENT**

on the interested parties in this action as follows:

BY MAIL: Service was accomplished by placing the document(s) listed above in a sealed envelope with postage thereon fully prepaid, in the United States mail at San Francisco, addressed as set forth above.

BY E-MAIL/NEF: Service was accomplished through the Notice of Electronic Filing (“NEF”) for all parties and counsel who are registered ECF Users and those identified below:

I declare under penalty of perjury under the laws of the United States of America that the above is true and correct. This declaration was executed on April 27, 2020 at San Francisco, California.

/s/ Jeremiah F Hallisey  
Jeremiah F, Hallisey

# ATTACHMENT A

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9 Co-Counsel for Creditors  
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10 for themselves and on behalf of all others similarly,  
situated, WILLIAM N. STEEL, for himself and on  
11 behalf of all others similarly situated;  
WILLIAM O'BRIEN, MING O'BRIEN,  
12 FUGUAN O'BRIEN; MICHAEL HEINSTEIN,  
KYE HEINSTEIN; CLINTON REILLY,  
13 Class Claimant GER HOSPITALITY, LLC,  
and RICHARD CARPENETI  
14

15 UNITED STATES DISTRICT COURT  
16 NORTHERN DISTRICT OF CALIFORNIA  
17 SAN FRANCISCO DIVISION

18 In re:  
19 PG&E CORPORATION  
20  
21 -and-  
22 PACIFIC GAS AND ELECTRIC COMPANY,  
23 Debtors.  
24  
25  
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27

Civil Case No. 19-05257 (JD)  
Bankruptcy Case No. 19-30088 (DM)  
**DECLARATION OF ERIC LOWREY,  
CIRA IN SUPPORT OF OBJECTION BY  
CERTAIN FIRE VICTIMS TO  
DEBTORS' MOTION PURSUANT TO 11  
U.S.C. 105(A) AND 502(C) TO  
ESTABLISH AMOUNT OF FIRE  
VICTIM CLAIMS FOR ALL PURPOSES  
OF THE CHAPTER 11 CASES**  
Date: May 21, 2020  
Time: 10:00 a.m.  
Ctrm.: 11  
Judge: Hon. James Donato

1 I, ERIC LOWREY, CIRA, declare as follows:

2 1. I am a restructuring professional with over 15 years of financial and strategic  
3 advisory experience, particularly to companies in the power and utilities industry, and am a  
4 Certified Restructuring and Insolvency Advisor (CIRA) by the Association of Insolvency &  
5 Restructuring Advisors. I have led the day-to-day work on engagements for Jefferies Financial  
6 Group, Miller Buckfire & Co., PwC Advisory Services, and New Harbor Incorporated and been a  
7 member of the investment banking groups at Deutsche Bank and Barclays. I have advised  
8 companies, creditors and other stakeholders on the negotiation and execution of in-court and out-  
9 of-court restructurings and issues related to capital structure, financing, liquidity, and valuation,  
10 and advised distressed companies, official creditor and equity committees, and investors on  
11 restructurings in the consumer, energy, healthcare, and metals and mining industries. Each  
12 restructuring engagement on which I advised involved the analysis of detailed financial data and  
13 projections, which I conducted and/or oversaw. I have a BA in Economics from Boston College  
14 (*Magna Cum Laude*) and an MBA from Columbia University.

15 2. This Declaration pertains to the Aggregate Fire Victim Consideration to be used to  
16 fund the Fire Victim Trust under the Plan, as defined below, for the benefit of all of the individual  
17 Fire Victim Claimants and is offered in support of the Objection by Certain Fire Victims to  
18 Debtors' Motion Pursuant to 11 U.S.C. 105(A) And 502(C) to Establish Amount of Fire Victim  
19 Claims for All Purposes of the Chapter 11 Case.

20 3. I was asked to review and analyze the Aggregate Fire Victim Consideration to be  
21 used to fund the Fire Victim Trust as described in the Disclosure Statement for the Debtors' and  
22 Shareholder Proponents' Joint Chapter 11 Plan of Reorganization dated March 17, 2020 (the  
23 "Plan"). Pursuant to the Plan filed, the consideration to be used to fund the Fire Victim Trust  
24 includes \$13.5 billion<sup>(1)</sup>, consisting of \$5.4 billion in cash, \$1.35 billion in deferred cash, and \$6.75  
25 billion in common stock of Reorganized PG&E Corp. (the "Fire Victim Equity").

26 4. I have reviewed numerous documents which constitute or relate to the above-  
27 mentioned Plan of Reorganization and the Aggregate Fire Victim Consideration thereunder.

1 Documents reviewed include, but are not limited to:

- 2 • The Disclosure Statement for the Debtors’ and Shareholder Proponents’ Joint Chapter 11
- 3 Plan of Reorganization
- 4 • The Debtors’ and Shareholder Proponents’ Joint Chapter 11 Plan of Reorganization
- 5 • The Supplement to the Disclosure Statement for the Debtors’ and Shareholder Proponents’
- 6 Joint Chapter 11 Plan of Reorganization (the “Supplement”)
- 7 • The Tort Claimants Restructuring Support Agreement (the “Tort Claimant RSA”)
- 8 • Various news and research reports relating to PG&E Corporation, its bankruptcy
- 9 proceedings, and the power and utilities industry

10 5. As more fully set out in the paragraphs below, my analysis and conclusions are (1)

11  
12 the value of the consideration to be transferred to the Fire Victim Trust is now substantially less  
13 than \$13.5 billion<sup>(1)</sup>; and (2) the current unprecedented economic conditions put the value and  
14 timing of the consideration to be transferred to the Fire Victim Trust at risk of reduction and/or  
15 payment delay. Specifically,

- 16 • The funding for the five, primary creditor/claimant groups other than the individual Fire
- 17 Victim Claimants is 100% cash (Please see **Exhibit A**, which I prepared and lists the
- 18 respective claimant groups and their settlement amounts). The consideration<sup>(1)</sup> to be
- 19 transferred to the Victim Trust to satisfy individual Fire Victim Claims is 40% cash, 10%
- 20 deferred cash and 50% new common stock in the Reorganized PG&E Corp., which exposes
- 21 the Fire Victim Claimants to significant risk of value reduction prior to receipt.
- 22 • The estimated value of the Victim Equity to be transferred to the Victim Trust has
- 23 fluctuated downward since the Tort Claimants RSA was entered into in December 2019
- 24 (See **Exhibit B**, which I prepared and sets out a summary of the change in value). The
- 25 amount of \$6.75 billion as described in the TCC Claimants RSA is a component in a
- 26 formula used to calculate the percentage of the common stock in Reorganized PG&E
- 27 Corporation’s equity to be contributed to the Fire Victim Trust, subject to a minimum of

1 20.9%. This formula contemplates valuing the common stock of Reorganized PG&E as a  
2 function of the Normalized Net Income for 2021, as defined in the Plan, multiplied by 14.9.  
3 Using the Debtors forecast of \$2.04 billion for 2021 non-GAAP Core Earnings included in  
4 the Debtors' updated financial projections included (the "Supplement") would imply an  
5 equity value of \$30.4 billion of which \$6.75 billion would represent 22.2%. To estimate  
6 what this may be worth one could use Edison International (NYSE: EIX) as a proxy for  
7 how the equity market may value PG&E's common equity.

- 8 • Currently, EIX trades at 10.7 multiplied by the consensus 2021 earnings estimates for  
9 EIX<sup>(2)</sup>. Multiplying the 2021 non-GAAP Core Earnings of \$2.04 billion by the same  
10 multiple of 10.7 would imply an equity market capitalization of approximately \$21.8 billion  
11 for Reorganized PG&E, implying a value of approximately \$4.85 billion for the Victim  
12 Equity to be contributed to the Fire Victim Trust. However, this value is still at significant  
13 risk of further decline in the wake of the COVID-19 pandemic as utility companies face the  
14 potential to underperform forecasts in the near-term and other potential financial challenges  
15 as a result, such as reduced liquidity due to "no disconnect" orders and/or agreements.
- 16 • Additionally, there are a number of PG&E-specific issues that may cause the market to  
17 value Reorganized PG&E at lower multiple than the one at which Edison International  
18 trades. One of the most notable of these issues is that PG&E has agreed not to pay  
19 dividends, an attribute typically sought by utility investors, for a minimum of three years.
- 20 • The \$1.35 billion of deferred cash payments to the Fire Victim Trust (to be funded through  
21 an as of yet uncertain securitization and/or by the realization of cash tax benefits resulting  
22 from tax attributes of the Debtors) is exposed to several risks. Those risks include the  
23 potential for a change of control as part of the Debtors' equity financing ,which could limit  
24 the company's ability to use its NOLs to offset future taxes; the failure of Reorganized  
25 PG&E to generate earnings sufficient to realize the requisite cash tax benefits necessary to  
26 fund the deferred cash payments; and general business and credit risk due to among other  
27 things potential future wildfire liability claims that could be disallowed or not covered in a



1           timely manner by the Go-Forward Wildfire Fund;

2           6.       The timing of contributions to the Fire Victim Trust is also uncertain. Expectations  
3 for the timing of the initial cash and equity contributions have been based on the Debtors' Plan of  
4 Reorganization becoming effective on or before August 29, 2020. However, under the recently  
5 announced as Case Resolution Contingency Process the date by which the Debtors emerge from  
6 bankruptcy could be as late as December 31, 2020.

7           7.       PG&E's ability to successfully finance its exit from bankruptcy and fund the cash  
8 transfer to the Fire Victim Trust was not 100% certain prior to the recent health and economic  
9 crises. With the recent economic downturn and disruption in the financial markets caused by the  
10 COVID-19 pandemic the risk that the Debtors will fail to raise the financing necessary to exit  
11 bankruptcy on the timeline contemplated at the time the TCC Claimants RSA was entered into has  
12 increased substantially.

13           8.       Should PG&E fail to emerge from bankruptcy by December 31, 2020 and be  
14 required to initiate a sale process for the company, as agreed to and outlined in the Case Resolution  
15 Contingency Process, the resulting sale could further delay and potentially negatively impact the  
16 funding of the Fire Victim Trust. The potential for such a scenario creates additional risk and  
17 uncertainty for the payments agreed under the TCC Claimants RSA as there is no guarantee that a  
18 sale process would result in sale proceeds sufficient to meet the Debtors' commitments under the  
19 TCC Claimant RSA.

20           I declare under penalty of perjury that the foregoing is true and correct. Executed on April  
21 3, 2020 at New York, New York.

22    /s/ Eric Lowrey  
23    ERIC LOWREY

24 Pursuant to Local Rule 5-1(i)(3), I attest that concurrence in filing this document has been obtained  
25 from the signatory, Eric Lowrey.

26    /s/ Jeremiah F. Hallisey  
27    Jeremiah F. Hallisey

28           (1) Exclusive of certain rights and causes of action to be transferred to Victim Trust under the Plan

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(2) The 10.7 multiple of earnings for Edison International (NYSE: EIX) is based on the consensus 2021 earnings estimates and closing stock price for EIX as of April 3, 2020 per CapIQ.

**EXHIBIT A TO**

**DECLARATION OF ERIC LOWREY, CIRA IN SUPPORT OF OBJECTION BY  
CERTAIN FIRE VICTIMS TO DEBTORS' MOTION PURSUANT TO 11 U.S.C. 105(A)  
AND 502(C) TO ESTABLISH AMOUNT OF FIRE VICTIM CLAIMS FOR ALL  
PURPOSES OF THE CHAPTER 11 CASES**

## Individual Fire Victims the Only Claimant Group to Receive Deferred Cash & Equity

While every other claimant group is to receive 100% cash or secured debt, 60% of the consideration to be transferred to the Victim Trust is exposed to the risk of diminution of value prior to receipt

\$Millions

CLAIMANT GROUPS	TREATMENT OF CLAIMS			TOTAL
	Cash / New Debt	Deferred Cash	Equity	
Debtor-In-Possession Financing	2,000	0	0	2,000
Trade Claims and Other Costs	2,300	0	0	2,300
Prepetition Debt & Accrued Interest	23,450	0	0	23,450
Subrogated Wildfire Liability Claims	11,000	0	0	11,000
Public Entities Wildfire Liability Claims	1,000	0	0	1,000
<b>Individual Fire Victim Liability Claims</b>	<b>5,400</b>	<b>1,350</b>	<b>6,750</b>	<b>13,500</b>
				<b>\$53,250</b>

- **Individual victims are the only claimants to receive at-risk deferred cash and/or equity**
- The \$1.35 billion of deferred cash and the Fire Victim Equity are exposed to significant risks
  - Fire Victim Equity to be contributed to the Victim Trust currently estimated to be worth approximately \$4.85 billion, materially less than \$6.75 billion, and it could decline further
  - Significant risk of negative impacts due to current economic downturn, including the potential for the Debtors' earnings forecast to be reduced and reduced liquidity due to customer non-payment
  - Cash tax benefits needed to fund \$1.35 billion of deferred cash payments may not be realized
  - Potential future wildfire liability claims made against PG&E would be senior to Victim Equity

Source: Disclosure Statement for Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization.

1) Based on uses of \$59.0 billion in PG&E POR, including \$1.35 billion in deferred cash for the Victim Trust. Not shown is the \$5.0 billion wildfire fund contribution and \$0.75 billion of B/S cash.

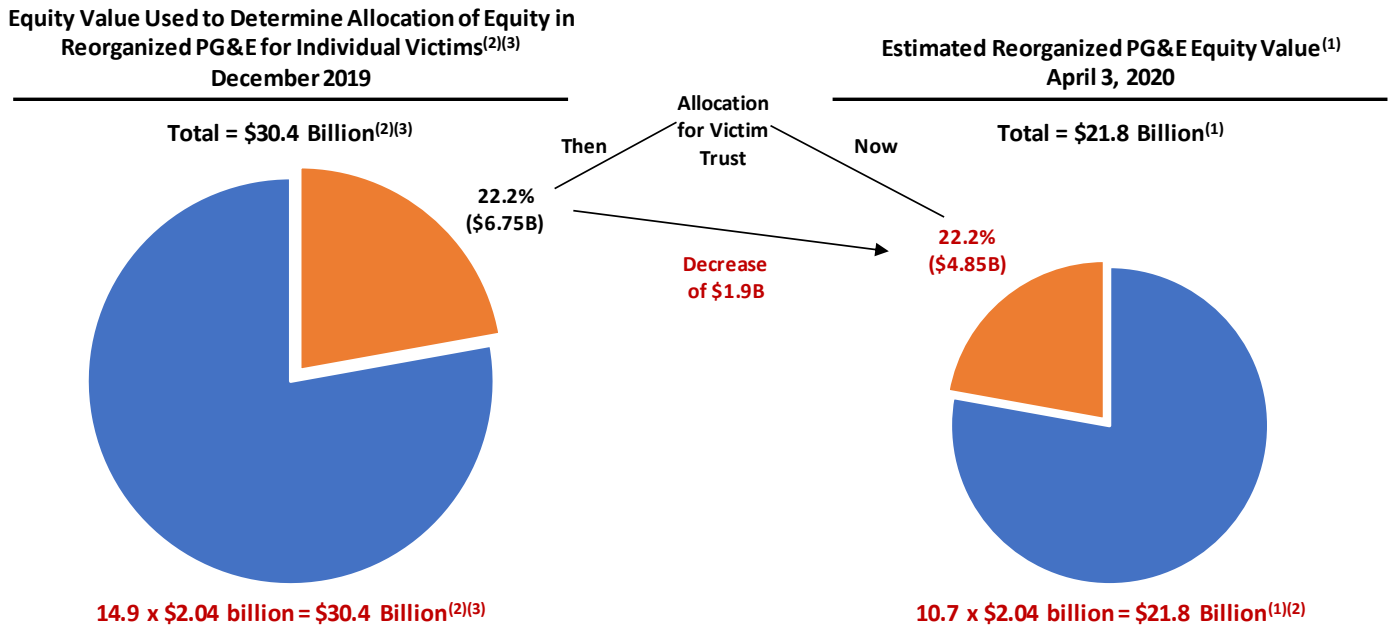
2) Comprised of \$13.875 billion in cash and \$9.575 billion in new secured debt. The \$9.575 billion of new, secured debt to be senior in priority to deferred cash and equity yet to be contributed to Victim Trust upon PG&E's exit from bankruptcy. Secured debt will also be senior in priority to any future wildfire liability claims filed against PG&E (deferred cash and equity will not be).

**EXHIBIT B TO**

**DECLARATION OF ERIC LOWREY, CIRA IN SUPPORT OF OBJECTION BY  
CERTAIN FIRE VICTIMS TO DEBTORS' MOTION PURSUANT TO 11 U.S.C. 105(A)  
AND 502(C) TO ESTABLISH AMOUNT OF FIRE VICTIM CLAIMS FOR ALL  
PURPOSES OF THE CHAPTER 11 CASES**

## Value of Equity Allocated to Individual Victims Estimated to be \$4.85B, Not \$6.75B<sup>(1)</sup>

As of early April 2020, the value of the equity in Reorganized PG&E Corp. to be contributed to the Victim Trust estimated at only \$4.85 billion, 28% (or \$1.9 billion) less than the headline amount of \$6.75 billion



1) Value of Fire Victim Equity estimated using Edison International (NYSE: EIX) as a proxy, which trades at a multiple of 10.7x consensus 2021 earnings estimates as of April 3, 2020 per CapIQ.

2) Based on 2021 forecasted earnings of \$2.04 billion per the Disclosure Statement for Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization.

3) Based on 2021 forecasted earnings multiplied by 14.9 per the Disclosure Statement for Debtors' and Shareholder Proponents' Joint Chapter 11 Plan of Reorganization.

# ATTACHMENT B

1 Richard A. Lapping (SBN 107496)  
TRODELLA & LAPPING, LLP  
2 540 Pacific Avenue  
San Francisco, CA 94133-4608  
3 Telephone: (415) 399-1015  
Email: [rich@trodellalapping.com](mailto:rich@trodellalapping.com)  
4

5 Co-Counsel for Creditors  
KAREN ROBERDS and ANITA FREEMAN,  
6 for themselves and on behalf of all others similarly,  
situated  
7 [additional creditors and counsel  
listed on signature page]  
8

9  
10 **UNITED STATES DISTRICT COURT**  
11 **NORTHERN DISTRICT OF CALIFORNIA**  
12 **SAN FRANCISCO DIVISION**

13 In re:  
14 PG&E CORPORATION  
15 -and-  
16 PACIFIC GAS AND ELECTRIC  
17 COMPANY,  
18 Debtors.  
19  
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21  
22

Case No. 19-cv-05257-JD

Bankruptcy Case No.: 19-30088-DM

**DECLARATION OF FRANCIS O.  
SCARPULLA IN SUPPORT OF OBJECTION  
BY CERTAIN FIRE VICTIMS TO  
DEBTORS' MOTION PURSUANT TO 11  
U.S.C. 105(a) AND 502(c) TO ESTABLISH  
AMOUNT OF FIRE VICTIM CLAIMS FOR  
ALL PURPOSES OF THE CHAPTER 11  
CASE; JOINDER IN RESPONSE OF TCC**

Date: May 21, 2020

Time: 10:00 a.m.

Ctrm: 11

Judge: Hon. James Donato

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26 /////  
27 /////  
28 /////  
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1 I, Francis O. Scarpulla, declare as follows:

2 1. I received the document attached hereto as Exhibit 1 from the Consumer-Owned  
3 Utility Group.

4 I declare under the penalty of perjury under the laws of the United States of America that  
5 the foregoing is true and correct.

6 Executed April 3, 2020 in the City and County of San Francisco, California.

7

8 By: /s/ Francis O. Scarpulla  
9 Francis O. Scarpulla

10 Submitted by:

11 TRODELLA & LAPPING, LLP

12

13 By /s/ Richard A. Lapping  
14 Richard A. Lapping

15 Co-Counsel for Creditors  
16 KAREN ROBERDS and ANITA FREEMAN,  
17 for themselves and on behalf of all others  
18 similarly situated; WILLIAM N. STEEL, for  
19 himself and on behalf of all others similarly  
20 situated; WILLIAM O'BRIEN, MING  
21 O'BRIEN, and FUGUAN O'BRIEN by her  
22 Guardian ad Litem, Ming O'Brien; MICHAEL  
23 HEINSTEIN, KYE HEINSTEIN; and  
24 CLINTON REILLY; and Class Claimant GER  
25 HOSPITALITY, LLC and RICHARD  
26 CARPENETI

22 Pursuant to Local Rule 5-1(i)(3), I attest that concurrence in filing this document has been  
23 obtained from the signatory, Francis O. Scarpulla.

24 /s/ Richard A. Lapping  
25 Richard A. Lapping

26

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# EXHIBIT 1

## TCC Diligence List

March 25, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

### Questions:

#### Timing of Bankruptcy Court and Regulatory Approvals

- 1. Is your Customer-Owned Utility (“COU”) Proposal intended to be a primary Plan of Reorganization (“Plan”) or a backup Plan?**

*The COU proposal for PG&E to exit bankruptcy as a COU (the “COU Plan”) was intentionally prepared so that it could be either a primary or a backup Plan. The Coalition has urged the Debtors, so far without success, to adopt its Plan as the Company’s primary Plan, and, failing that, as a backup Plan.*

*The COU Plan could still be the primary Plan for the Debtors if they decided to adopt it instead of their current Plan. Presumably, however, they will not do that, unless, for example, they are unable to secure financing for the current Plan.*

*For any other creditor group, the Debtors still retain the exclusive right to file and seek to confirm a Plan. Accordingly, if a creditor or creditor group wished to propose the COU Plan as an alternative to the Company’s Plan, such creditor or group could not do so unless it were to file a motion with the Bankruptcy Court seeking authorization to file a competing Plan, and the court granted such relief.*

- 2. Is the COU Proposal intended to meet all requirements of AB1054 prior to June 30, 2020?**

*The COU Plan is intended to meet the requirements of AB 1054 by June 30<sup>th</sup>.*

- a. If not, what is the length of time you anticipate for CPUC review of the COU plan?**

*See Above.*

**TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

**3. Does the plan protect fire victims from having their claims exposed to another wildfire?**

**a. What would be the timeline for PG&E to emerge from bankruptcy in the COU Proposal?**

*The COU Plan can be confirmed before June 30, with bridge financing to fund the required payment into the Wildfire Fund, and finally closed and go effective by September 30. At closing, the Victims' Trust would be fully funded in cash, which would thereby protect victim beneficiaries from any further financial risk in regard to their recoveries.*

**4. The COU proposal calls for the Debtors' to agree to sell their assets to the COU, and to assume and assign their executory contracts to the COU. How do the proponents intend to compel the Debtors to accept the offer?**

*The COU Plan is not an acquisition. It is a conversion of the Debtors into a COU as part of the bankruptcy process under Section 1123(b)(5) of the Bankruptcy Code. In essence, the Federal Bankruptcy Court effectuates this structural transformation as part of the confirming PG&E's plan of reorganization. Assuming that the COU Plan is a backup to the Debtors' Plan, the Debtors would have consented to this conversion, if the backup conditions are triggered.*

*The COU should be introduced now as a backup component within the current Plan to protect against a possible failure of the debtors financing and consequent delays, thereby allowing both confirmation of a viable Plan by June 30<sup>th</sup> and the most efficient payment of claims to fire victims.*

*Assuming that the COU is not proposed by the debtors but proposed by another party, then the court could confirm the Plan, provided that one or more classes vote to accept the COU Plan, with or without the agreement of the debtors.*

**TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

**5. Who will be the plan proponent(s) for the COU plan of reorganization?**

*As the backup, the Debtors would be the Plan proponents. However, the TCC could also be a proponent or a co-proponent with the Debtors.*

**6. Assuming, as proponents note, that a contested valuation in the bankruptcy court may be necessary, describe your estimate of the length of time such contested confirmation will last.**

*Estimation of equity value, if any, could be accomplished on an accelerated basis within weeks. On the other hand, market conditions suggest that equity parties would be well advised to seek an agreed-upon resolution of this question.*

**7. Do you believe that the COU proposal is exempt from CPUC approval pursuant to PUC Section 3291? If yes, describe the basis on which you make that assumption. If no, when do you intend to file an application with the CPUC for approval of the COU Plan?**

*Specifically, the COU would be organized as a mutual benefit corporation under California law and would operate as an electrical cooperative as defined by Sections 2776-2778 of the Public Utilities Code. Those provisions provide that such an entity is permitted to set its own rates and issue its own debt, but would otherwise be subject to the health, safety and wildfire protection jurisdiction of the CPUC. In other words, the COU would have rate-setting autonomy and determine its own capital structure, but the CPUC would still have a regulatory role for other purposes, which likely would include the provisions of Section 3291 and the other elements of AB 1054. Correspondingly, the COU would be eligible to participate in the Wildfire Fund (note that even if the COU were somehow considered a "new" entity, Section 3291(e) provides that such an entity may be eligible for participation).*

**TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

**Treatment of Wildfire Claims under the COU Plan**

**8. Does the COU Proposal pay fire victims \$13.5B in cash on or before August 29, 2020?**

- a. **If not, what would be the consideration amount, form of consideration, and timing of payment?**
- b. **Would the payment be made to a resolution trust controlled by the victims? As stated above, the goal is to fully fund the Victims' Trust in cash by closing on September 30, 2020,**

*As stated above, the COU Plan calls for fully funding the Victims' Trust in cash by closing on or before September 30, 2020. The payments would be to the resolution trust as described in the Debtor's current Plan.*

**9. Given actual claims of fire victims may be more than \$20B to \$50B, does the COU Proposal compensate for the deficit if the \$13.5B fails to make all 70,000 +/- fire victims whole?**

*No, neither the COU, nor the Debtors' IOU plan, nor indeed any reorganization format can compensate for a possible \$20 - 50 billion exposure if the settlement is rejected or if opt outs overwhelm the agreed settlement amount. What the COU can do that the IOU never can, is to transfer ownership to ratepayers, of whom victims are likely to be a large subset, in an entity that will be stronger, more sustainable and more credit-worthy than emergent entity envisioned under the Debtor's Plan.*

**Treatment of Other Creditors and Equity Security Holders under the COU Plan**

**10. Does the COU Proposal pay the subrogation claims \$11B in cash on the effective date?**

*Yes. The COU Plan accepts all the settlements reached by the Debtor with exception that it would provide for the funding of the Victim Trust with \$13.5 billion in cash.*

**TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

**11. Does the COU Plan pay the setting public entities \$1 billion cash on the effective date?**

*Yes. See Above.*

**12. Does the COU Plan incorporate the existing bondholders?**

*Yes. See Above.*

**13. Does the COU Plan incorporate the existing equity holders?**

*Yes. The COU Plan contemplates compensating equity an amount to be determined by the Bankruptcy Court or agreed to by current equity to address any equity value.*

**14. Does the COU Proposal pay FEMA, the other U.S. government claims, the state of California, and all of the other public entity claimants the amounts that the TCC negotiated with them without reducing the \$13.5B recoveries for the fire victims?**

*The COU Plan would not change the recently announced agreement with FEMA and California OES and other public entities regarding the scope and priority of those claims. As stated in the response to Question 11, above, the COU Plan accepts all settlements reached by the Debtor, including the agreement with specified public agencies in the summer of 2019.*

**15. Does the COU Plan pay the Ghost Ship claimants \$150M as the Bondholders offered?**

*The COU Plan has not been specific with respect to the Ghost Ship plaintiffs, but has assumed the treatment of their claims would be as specified in the Debtor's Plan.*

**TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

**Financing Sources and Uses**

**16. How much capital in total will be required to accomplish all the COU Proposal intends to do – i.e., purchase assets, operate the utility, and pay fire claim victims?**

*The COU Plan, like the Debtor's Plan, assumes \$59 billion in total claims plus an amount to be determined by the Bankruptcy Court or agreed to by current equity to address any equity value. The COU Plan, which encompasses the entire entity, contemplates raising capital in the form of debt financing, which is expected to be highly rated. As a customer-owned utility, the company won't need to pay dividends and will be able to set its own rates, determine cost recovery, and establish its own capital structure, among other factors. As a result, the emergent COU is expected to be viewed as a financially stronger enterprise and, thus, be more financeable in the capital markets.*

**a. Do you expect financing contingencies?**

*The guidance we have received during discussions with major banks is that a customer-owned utility, even one financed with up to 100% debt financing would be an investment grade enterprise, assuming utility rates currently approved for PG&E, among other things. As such, we believe a COU has the best likelihood of successfully raising financing for PG&E's exit from bankruptcy.*

**17. What are the contemplated capital sources in amount and form in the COU Proposal?**

**a. Does the COU Plan have respective financing commitments? If so, how much and in what form?**

*See answer to Question 16, above.*



**TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

**18. Does the COU Plan intend to rely on tax-exempt muni bond funding either now or in the future?**

**a. If so, how would this form of financing be helpful? Please keep in mind any potential requirements for voting approval and legislation action.**

**b. Does the COU Proposal intend to rely on tax-exempt muni bond funding either now or in the future?**

*The Rostenkowski Amendment precludes tax exempt financing for an acquisition. We have not modeled capital planning on tax-exempt financing for future needs, and while opportunities may be available to access the tax-exempt market (e.g., for specific infrastructure projects or through public vehicles) the COU Plan is premised upon taxable debt.*

**19. Does the COU Plan use any of the Debtors' current financing commitments to finance its Plan?**

*No.*

**a. Is consent required of lenders, if so?**

*N/A*

**Governance/Ratemaking/Operations**

**20. Does the COU Proposal remove the holding company?**

**a. If so, what are the expected cost savings? (i.e., \$500M per year)**

*Following the conversion to a COU, the holding company would no longer exist in its current form. Any cost savings realized following the conversion to a COU would be used to accelerate capital investments or passed on to ratepayers.*

## **TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

- 21. Since a customer-owned utility is not regulated in the same manner by the CPUC, does the COU Proposal provide that the Plan itself would be rate neutral?**

*The COU Plan would be rate neutral as defined by AB 1054.*

- 22. Similarly, does the COU Proposal guarantee to limit future customer rate increases to the annual California CPI (calculated without including energy costs)?**

*PG&E's rates will undoubtedly need to increase in the coming years as the company plans to spend at least \$40 billion over the next five years on system hardening, modernization and wildfire protection. The expectation is that the COU will operate under the same envelope of forecast rate projections in the short-to-medium term as would the existing investor-owned utility under PG&E's Plan. However, the COU approach would provide for the moderation of rate increases with a significantly lower cost of capital.*

*Under the COU Plan, cost of capital savings begin to accrue almost immediately and become increasingly material within several years of confirmation, with preliminary estimates exceeding \$10 billion in cumulative cost of capital savings during the first decade (with potential for additional growth in the amount of annual cost of capital savings beyond the first 10 years). Realized cost of capital savings under the COU Plan would be reinvested (or used to support additional capital raising) to upgrade the utility's infrastructure more rapidly than would be the case under the PG&E Plan. Put differently, the COU cost of capital advantage could provide for a leap forward in terms of total investment in the utility's infrastructure as the annual cost savings, which would be growing each year, could be used to finance additional infrastructure investments.*

*As and when infrastructure health and safety conditions at the utility have reached an acceptable level and the many well-publicized deficiencies in PG&E's infrastructure have been addressed, then it would be expected that rates would begin to be lower than the level they would have been at under PG&E's Plan and expected rate path.*

### **TCC Diligence List (Cont'd)**

March 19, 2020

Reorganizing PG&E as a Customer-Owned, Mutual Benefit Corporation

Coalition for a Customer-Owned Utility

Attn: Alan Gover, Dan Richard, Eric Lowrey, and D.J. (Jan) Baker

#### **23. Does the COU Plan identify a competent operator to operate PG&E?**

*We have developed detailed governance proposals and have identified initial board leadership. The customer-owned utility board would evaluate current management and determine what any necessary changes in personnel. This could include retention of some portion of management, changes in individuals or consideration of a contractual relationship with an outside operator.*

#### **24. Does the COU Proposal include buying and/or selling off (once acquired) PG&E in Segments (e.g. Gas v. Electric)?**

*The COU plan encompasses the entire entity. There is no plan to sell of assets.*

### **Political**

#### **25. What has been the feedback on the COU Proposal from the Governor's Office since it was first presented in February?**

*The COU Plan was first presented in the fall. The Governor's office encouraged the development of the COU Plan, suggested discussions with other parties and has had multiple meetings with the COU Plan proponents and with Mayor Liccardo. Consistent with the recent announcement, the Governor's office articulated a preference for PG&E to have an opportunity to emerge as an investor-owned entity if that could be done satisfactorily in terms of financial viability and cultural transformation. The Governor's office has maintained that the COU Plan would be a viable backup. The Governor's office contacted the COU Plan advisory team on Friday to reiterate that position.*