

Good Morning,

We are writing to provide our assessment and recommendation regarding the vote in the PG&E bankruptcy. This is no simple task, nor is it one we take lightly. The fundamental issue you face as the voter, and that we face in advising you, is that you should be empowered to make a meaningful and informed decision. That is your right in this case. Whether you ultimately vote “yes” or “no,” we have sought to eliminate the need for you to merely hope for a certain outcome in this process. Instead, we are working to provide you the assurances you deserve, especially given that you are unwilling creditors in this bankruptcy.

As you know from our prior updates, PG&E's proposed reorganization plan contains significant uncertainties, both in terms of the timing and the value of payments to the tort claimants. We are continuing to advocate, both in court and through mediation, for the fair and timely treatment of your claims as part of the bankruptcy resolution. But, with key financial and legal terms still unresolved, and with the recent issues raised relating to AB 1054, we simply cannot advise that you vote to "Accept" the unresolved and undefined terms of the plan in its current form. Accordingly, and as explained below, the only alternative then, is to vote to "Reject" the proposed plan until these issues are acceptably addressed.

Application of AB 1054

One of the primary goals of the proposed reorganization plan is for PG&E to meet the plan confirmation deadline of June 30, 2020. This deadline arises from AB 1054, which provides additional insurance to PG&E and other investor-owned utilities for future wildfires caused by their equipment. Despite the bill's significant benefits, the deadline has the unintended consequence of forcing you to vote on the bankruptcy plan prematurely. At the same time, even if the current plan is confirmed, there is no guarantee that PG&E will exit the bankruptcy in a timely fashion and qualify for the AB 1054 future wildfire fund. In other words, the proposed tort claimants' settlement may still be susceptible to the financial risks of future wildfires.

To highlight this concern, Cal Fire this week warned residents to prepare for a difficult 2020 fire season. Yet, as we face high-risk weather conditions this summer and fall, PG&E remains unprepared to safely deliver power throughout Northern California. Recently, federal judge William Alsup, in the PG&E criminal case, wrote:

"A fundamental concern in this criminal probation remains the fact that Pacific Gas & Electric Company, though the single largest privately-owned utility in America, cannot safely deliver power to California. This failure is upon us because for years, in order to enlarge dividends, bonuses, and political contributions, PG&E cheated on maintenance of its grid – to the point that the grid became unsafe to operate during our annual high winds, so unsafe that the grid itself failed and ignited many catastrophic wildfires. In the past three years alone, PG&E wildfires killed at least 108 [people] and burned 22,049 structures. It will take years, now, for PG&E to catch up on maintenance so that the grid can safely supply power at all times. The conditions of probation herein have been aimed at requiring PG&E to do so. It's evident, however, that more is necessary."

The judge's comments above highlight the concerns we have consistently raised regarding AB 1054. Specifically, the risk of a 2020 wildfire created by PG&E's negligence may jeopardize or delay your recovery. Unfortunately, that risk still exists. The language in the legislation that impacts you concerns the date PG&E “exits” bankruptcy. As stated in AB 1054, “Contributions shall not be due to the [wildfire] fund until the date the electrical corporation exits the insolvency proceeding.” 3292(b)(E)(3)(e). This date has yet to be determined, which creates an unacceptable risk that PG&E will remain ineligible to participate in or receive the benefits of the wildfire insurance fund.

The patterns in this bankruptcy tend to repeat themselves. Last October, PG&E reported to Judge Donato in the estimation proceeding that it anticipated very low fire victim participation rates. When Judge Donato was told that the fire victim participation rates were in the 40-50% range, he stated, “All I'm saying, is it would be a heartbreaking shame if even 10 percent of the eligible victims don't file claims for whatever reason. If we're talking about 50 percent not filing, that's -- that's intolerable.” At the time, the judge was troubled that some fire victims might be left behind and not be compensated. Yet now, 100% of the fire victims might not receive compensation given the risk of a PG&E fire in 2020, which could occur without the protection of AB 1054. This result is likewise intolerable. We must insure against it, and we cannot leave to chance a scenario in which you recover nothing, or in which your recovery is delayed while Cal Fire and the new board of PG&E evaluate to what extent PG&E was responsible for a catastrophic 2020 wildfire.

Funding the Fire Victim Trust and the Stock

The solution to the problem with AB 1054 is both simple and achievable. Every effort must be made to have the new company successfully exit the bankruptcy by August 29, 2020, the date initially proposed in the Restructuring Support Agreement (RSA) between PG&E and the tort claimants. To do so, PG&E must fund both the fire victim trust (cash and stock) AND the wildfire fund created by AB 1054 by August 29th.

We know the impact of the various wildfires has been devastating to all of you, and our respective communities, physically, emotionally, and financially. The current coronavirus pandemic only serves to exacerbate these difficulties. Unfortunately, the hedge funds that have hijacked these bankruptcy proceedings (all to their significant financial benefit), did not care about your concerns BEFORE the coronavirus pandemic, nor do they care about them now. Your concerns MUST be kept in the forefront of this case. Accordingly, PG&E must timely fund the fire victim trust so that the process of paying the fire victims can occur as soon as, and with as little risk, as possible.

The TCC and the Ongoing Mediation

Over the past several months, there has been intense pressure by PG&E to have the TCC sign a letter of support for the plan. We have declined to do so for two primary reasons. First, doing so would potentially interfere with our firm's ability to exercise independent judgement in giving guidance and advice to our clients. Additionally, as you know, there are several important and outstanding issues to still resolve, issues which are the subject of a confidential mediation order. We are in no position to support the plan when we are still working to make sure the plan actually works, without question, for the tort claimants.

If the negotiations related to these remaining key elements resolve favorably, we will advise you accordingly and would recommend that you vote in support of the plan. Unfortunately, we are not there yet and no longer have the time necessary to advise you to continue to wait. As such, we cannot and will not support the proposed plan with its pending uncertainties. Whether you vote "yes" or "no," we respect your decision and will not try to influence you otherwise. However, as your attorneys, we know many of you are looking to us for guidance and leadership in making this difficult decision. If you are in this category, we simply cannot advise you to support this plan as it currently exists. As a result, we recommend you vote to "Reject" the unresolved and undefined terms of the plan until the issues are acceptably addressed.

Going Forward

Since the time PG&E first filed for bankruptcy protection on January 29, 2019, we have been fighting to ensure your meaningful inclusion and participation in this bankruptcy process. As you all well know, we do not face this fight alone. When so many of your fellow fire survivors were uninvolved and uninformed about their rights in this case, it was YOU who strove to ensure their inclusion. As we documented in court on February 11, 2020, "It was the fire victim community that went out and mobilized, and they said we refuse to let our brothers and sisters not be part of this bankruptcy." On that same day, we discussed with the court the voting rules that govern this case and the requirement that YOUR decision be informed and meaningful. We further acknowledged with the court that the vote is not your only method of inclusion and participation. As before, we encourage you now to remain active, to ask questions, to demand answers, and to be diligent.

Everyone wants this bankruptcy to successfully conclude. In order to get to this point, the bankruptcy plan MUST work for the fire victims and survivors. Your role in this case does not end with a "yes" or a "no" vote. Far from it. Your role in this case only ends when this case is successfully resolved. That can only happen if we stick together and continue to fight for a fair and meaningful result for all fire victims.

Kind Regards,

Skikos, Crawford, Skikos & Joseph