

# California governor rejects PG&E's bankruptcy settlement, demands token reforms

Anthony del Olmo  
16 December 2019

In a letter sent Friday night to William Johnson, the CEO of Pacific Gas and Electric Company (PG&E), California Governor Gavin Newsom rejected a bankruptcy settlement proposal submitted the previous week by the utility company. PG&E's proposal entailed slight adjustments to the company's structure, as well as a \$13.5 billion settlement reached with lawyers of victims of the worst fires caused by PG&E equipment from 2015–18, which collectively killed 145 people and destroyed over 25,000 buildings.

PG&E requires the approval of Newsom's office for its plan to exit bankruptcy by June 30, 2020, to enable the company to qualify to draw money from a state wildfire fund established last summer through Assembly Bill 1054. The fund, promoted and signed into law by Newsom, will provide upwards of \$21 billion to the various regional utility monopolies in California, to bail them out of expenses related to future wildfires for which they are found to be responsible.

In his letter to Johnson, Newsom demands token reforms that will do nothing to fundamentally change the corporation. The main provisions outlined are for the replacement of the current board of directors, with a new board approved personally by Newsom himself, whose vague qualifications include "extensive safety experience" and which must be comprised of "a majority of Californians." In addition, Newsom demands that PG&E implement new unspecified, company-determined safety and operational metrics.

In another section of his letter, Newsom stresses that following bankruptcy, PG&E's "capital structure must be stable, flexible, and position the company to attract long-term capital." He worries that their plan "leaves

the company with limited ability to withstand financial and operational headwinds." Despite claims to the contrary, this section indicates that Newsom's rejection of the PG&E restructuring proposal is in part due to pressure from the company's bondholders, who have emerged as competitors with the shareholders for control over the company. Last week, the bondholders submitted a detailed appeal to Newsom to reject the shareholders' proposed plan.

PG&E has until Tuesday to decide whether it will comply with Newsom's demands or proceed with the \$13.5 billion settlement without Newsom's stamp of approval. If they accede to Newsom's demands, the company's board will simply be changed from Wall Street vultures to financial parasites from California, with whom Newsom has made the closest connections over his entire political career.

PG&E filed for Chapter 11 bankruptcy in January of this year, facing liability charges of more than \$30 billion due to lawsuits filed by wildfire victims charging the utility with being responsible for starting the fires. State investigators concluded that PG&E was responsible for over 1,500 fires in the past six years, including the 2018 Camp Fire which destroyed the entire town of Paradise, and most recently the Kincade Fire which began in October and forced over 180,000 residents in Sonoma County to evacuate.

This year, the utility took the unprecedented step of shutting off power for entire regions, affecting millions of Californians, in an effort to prevent equipment from sparking wildfires during the dry and windy conditions in late autumn. Polls indicate that the utility is widely despised among California residents, with 3 in 4 believing that the utility should not unilaterally choose

to shut off power. Likewise, 7 in 8 do not trust the company to restructure itself independently following the bankruptcy settlement.

In response to this immense popular outrage, Governor Newsom has publicly criticized PG&E for corporate negligence and mismanagement, and has created a task force to create a potential plan for a state takeover of the utility if it does not meet new state regulations by the bankruptcy deadline of June 30, 2020.

Newsom's condemnations of the utility are entirely hypocritical, however, as he was the recipient of more than \$200,000 in contributions from PG&E in his 2018 gubernatorial campaign. Moreover, Newsom has already sponsored legislation removing legal liability standards for electrical utilities, and his support for AB 1054 was critical to ensure its passage. Under the bill, investor-owned utilities are only required to contribute \$5 billion over five years into the fund while additional support will come from taxpayer funding and through heightened utility bill rates.

There is no outcome for the PG&E bankruptcy that will have any fundamental effect in preventing wildfires or combating climate change outside of placing the corporation under the democratic control of the working class, as part of a broader socialist transformation. Any state takeover or changes to the board of directors will be entirely cosmetic, and keep in place the profit motive that drives its operations.

Only on a socialist basis can the power monopolies' outdated equipment be updated to modern, safe standards such that wildfires can be prevented or quickly suppressed, while maintaining the uninterrupted provision of critically needed electrical power to all the state's 40 million residents.



To contact the WSWs and the  
Socialist Equality Party visit:

**[wsws.org/contact](https://www.wsws.org/contact)**