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California Cities Ask Newsom to Remove Hurdles for PG&E Assets.

- **Governor's wildfire law complicates muni plans to buy assets**
- **Law creates 'dangerous precedent' for local autonomy: mayors**

A new California law, a win for Governor Gavin Newsom, is intended to help utilities cover wildfire liabilities. But it's also impeding the efforts of cities such as San Francisco that are seeking power independence.

Now, they're pressing Newsom to roll back the obstacles the law created before the state legislative session ends in September.

Newsom signed a bill July 12 that helps utilities cover mounting liabilities from wildfires, which led to PG&E Corp.'s bankruptcy in January. Cities such as San Francisco want to buy assets from the bankrupt electricity provider to control the power supply for their communities. An amendment inserted late in the legislative process makes those purchases more difficult by subjecting them to the approval of state regulators.

"We need to walk this back," said State Senator Scott Wiener, who represents San Francisco and voted against the bill. "Cities should have the flexibility to create their own municipal utilities, and we shouldn't stop them if that's what a community wants to do."

San Francisco earlier this year envisioned bidding for the PG&E electric assets within months, and other cities have also looked into acquisitions. The South San Joaquin Irrigation District, a water agency in the state's agricultural region that tried to buy local PG&E poles and wires in 2006 and 2016, plans to make another offer as part of the bankruptcy.

PG&E Bankruptcy

They need timely action.

PG&E may file its bankruptcy plan as soon as next month, according to documents reviewed by Bloomberg. The company aims to exit bankruptcy protection early next year, and San Francisco and others may find bidding for parts of its distribution system is easier during that process. Plus, a group of creditors is pressing for the judge to consider a plan that would prevent any sale of assets to municipal governments for five years.

What Bloomberg Intelligence Says

"California's new wildfire legislation has cleared a path for PG&E to reorganize and exit bankruptcy. Yet that path has significant operational and restructuring obstacles and a tight deadline of June 30, 2020"

Credit analyst Philip Brendel and litigation analyst Negisa Balluku

The legislation set up a fund that could be as large as \$21 billion that power companies can tap to cover future fire liabilities. It also required more stringent safety standards. Credit-rating companies had warned that absent state action, utilities may be cut to junk, increasing their cost of capital and the risk of another energy crisis for California.

During the afternoon of July 5, the Friday before a key Monday committee hearing, provisions were added to expand the reach of the California Public Utilities Commission over municipalities attempting to buy PG&E assets. Also, the period that any new owner must maintain the number of employees was increased to three years from two.

‘Clean-Up Bill’

Municipalities may have some hope. There may be a “clean-up bill” next month that could address their concerns, said Barry Moline, executive director of the California Municipal Utilities Association. A clarification that the intent was for the regulator to “review” rather than approve the impact on employees that could delay municipal plans would be a “good step,” Moline said.

San Jose Mayor Sam Liccardo said in an interview that Newsom administration officials have assured his staffers that “they’ll work with us on language that may fix this.”

Nothing has been formally announced yet and the legislature is on recess until Aug. 12, leaving a month to pass new laws. A spokesman for PG&E said it doesn’t comment on legislation yet to be introduced.

Nathan Click, a spokesman for Newsom, referred to the governor’s comments at the July 12 signing in which he said more work will be done on the wildfire legislation. Newsom said later during the event that he didn’t think “there’s much of an issue” when asked about criticism that the law makes it more difficult to create public utilities. However, in April he characterized government takeovers as something “that drives shivers up people’s spines” should PG&E continue to act poorly.

The amendments “set a dangerous precedent by limiting local government autonomy over its own employee relationships,” according to letter dated July 8 from San Jose’s Liccardo, San Francisco Mayor London Breed and Oakland Mayor Libby Schaaf to Newsom and legislative leaders.

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By Romy Varghese and David R Baker

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— *With assistance by Mark Chediak*