

# **Bond Case Briefs**

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## **California State Senator Writes Bill to Take Over PG&E.**

(Bloomberg) — California Governor Gavin Newsom has threatened a state takeover of PG&E Corp. if the bankrupt utility giant doesn't shape up. Now he has a framework to do it.

State Senator Scott Wiener will introduce a bill as early as Monday that would kick off a process by which the state assumes control over PG&E by buying its stock, according to his staff.

The utility would be run by a municipal board — enabling access to cheap tax-free financing — but operated by a public benefit corporation, a private entity that would allow PG&E workers to avoid being subject to government employment rules. Municipal bonds paid back over time by ratepayers would finance the transaction.

"PG&E operates a monopoly as a privilege granted by the state of California, and that privilege can be revoked," Wiener, a San Francisco Democrat, said in an interview. "I support public ownership of PG&E."

In a statement, PG&E said it opposes the bill. "Changing the structure of the company would not create a safer or cleaner operation," the utility said. "We remain focused on fairly resolving wildfire claims and exiting the Chapter 11 process as quickly as possible."

PG&E shares rose 14% Monday in New York after the company outlined plans late Friday to overhaul its board of directors as part of a broad reorganization proposal aimed at winning state approval for its bankruptcy exit.

As recently as Jan. 29, Newsom reiterated that if needed he would take over PG&E, whose equipment has ignited devastating wildfires in the state. Lawmakers and municipal leaders have grown impatient with the San Francisco-based company, which plunged millions of Californians into darkness during mass power outages last year in a bid to prevent more wildfires.

The state Senate last week passed Wiener's bill forcing power companies to compensate residents, businesses and local governments for costs from intentional blackouts. The measure now goes to the state assembly.

It's not yet clear how much Wiener's takeover proposal would cost or what it would mean for PG&E bondholders. The company's market capitalization is about \$9 billion.

There are also time pressures: PG&E has a June deadline to exit bankruptcy to be able to tap a state fund for wildfire damages.

Wiener's legislation envisions revival of a state power authority, run by gubernatorial appointees, to temporarily take control of the utility.

Ultimately, control would be turned over to a seven-member board, representing the service area in districts divided equally by population. Local governments in each district would elect the board members. A private entity would operate the utility, similar to the way New York's Long Island

Power Authority is run. Liabilities for future fires would fall on the regional board and its ratepayers, not the state.

### San Francisco's Bid

The governor is aware of the legislation, Wiener said. Newsom hasn't yet taken a position on it, the state senator said.

Wiener said customers won't pay more under his proposal. "The utility would have more of an incentive to take care of its infrastructure than to pay profits to Wall Street," he said.

The government of San Francisco has already made a \$2.5 billion bid for the wires that PG&E runs within the city's limits. It and other localities that want to buy pieces of the system would be allowed to do so under Wiener's proposal.

A group of 190 city and county officials, meanwhile, has proposed turning PG&E into a giant customer-owned cooperative.

### **Bloomberg**

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