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## \$13.5B PG&E Bankruptcy Deal Shorts Fire Victims, Judge Told

By **Hannah Albarazi**

Law360 (April 28, 2020, 9:16 PM EDT) -- A group of wildfire victims claim that the market downturn caused by the COVID-19 pandemic means their \$13.5 billion settlement with Pacific Gas and Electric Co. has lost significant value, asking a California federal judge Monday to hold an estimation trial on the amount the utility owes to victims.

The group of roughly two dozen fire victims said Monday that the equity-funded portion of the \$13.5 billion settlement with PG&E falls short in light of the novel coronavirus pandemic and subsequent economic downturn. They say wildfire victims are going to end up with roughly \$2 billion less in the stock value.

"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 [wildfires]," the group of victims told the court in a filing Monday.

Francis O. Scarpulla, co-counsel for the small group of fire victims, told Law360 on Tuesday that his clients "need an estimation trial to actually establish the total amount of damages due to the fire victims, including, now, punitive damages for the Camp Fire victims."

These concerns echo those raised by the Official Committee of Tort Claimants when they **withdrew their support** for PG&E's reorganization plan in early April, citing the potential devaluation of the \$6.75 billion of stock promised to the Fire Victim Trust and uncertainty regarding whether the trust will be promptly funded with stocks and cash.

PG&E is running up against a **June 30 deadline** to emerge from bankruptcy in order for the utility company to share in a \$21 billion state-administered wildfire fund. The California Public Utility Commission as well as the California federal bankruptcy court handling PG&E's Chapter 11 proceedings must both approve the reorganization plan for the utility to gain access to the fund.

The bankruptcy judge recently approved PG&E's settlement with the state over the 2018 Camp Fire, in which the utility pled guilty to **84 counts of involuntary manslaughter** and agreed to \$4 million in fines and reimbursements, following assurances the penalties wouldn't come from the \$13.5 billion wildfire victim trust.

California's utility regulator proposed a record-setting penalty of **nearly \$2 billion** last week for PG&E's role in contributing to deadly wildfires in recent years in the Golden State. The CPUC said it also wants PG&E's reorganization plan to include changes to the company's governance structure, improved oversight, and better mechanisms for responding to local customers' needs.

In their filing Monday, the group of wildfire victims claimed there "is a viable back-up plan proposed by the customer-owned utility group, which would provide the fire victims with \$13.5 billion all cash, meet the June 30, 2020 deadline for joining the wildfire insurance fund, and be paid into the Fire Victims Trust by September 30, 2020."

The court doesn't need to "scrap the PG&E plan altogether," the group said, but rather needs to set an estimation trial date and order the parties into mediation.

But the tens of thousands of fire victims are not all in agreement, with many already voting to approved PG&E's reorganization plan.

Gerald Singleton of the Singleton Law Group, a firm which represents thousands of fire victims, said Singleton the wildfire victims represented by his firm are voting thus far to accept the plan at a rate of over 98%.

"While there certainly is a small group that is very vocal in their opposition to the plan, I think it's important to remember just how small that group is," Singleton told Law360.

Singleton disagreed with the group's claim that there is a viable customer-owned utility group backup plan that would pay victims \$13.5 billion in cash by Sept. 30 and allow the utility to emerge from bankruptcy on June 30, saying that "is simply false." He also balked at the idea that an estimation trial could be held prior to the June 30 deadline.

But Singleton said it's up to the victims to choose whether they will accept or reject PG&E's plan.

"Everyone has the right to voice their opinion, and all victims need to follow their own conscience about voting on the plan," Singleton told Law360,

Representatives for PG&E said claimants have until May 15 to vote.

"We encourage everyone to vote," a PG&E spokesperson said. "We continue to work diligently to obtain approval for our plan of reorganization by the bankruptcy court as soon as possible, so victims will be paid fairly and quickly."

The group of wildfire victims is represented by Jeremiah F. Hallisey of Hallisey and Johnson PC and Patrick B. Clayton and Francis O. Scarpulla of the Law Offices of Francis O. Scarpulla, Quentin L. Kopp, Daniel S. Mason and Thomas W. Jackson of Furth Salem Mason & Li LLP.

The tort claimants are represented by Robert A. Julian and Kimberly S. Morris of BakerHostetler.

PG&E is represented by Stephen Karotkin, Ray C. Schrock and Jessica Liou of Weil Gotshal & Manges LLP, Tobias S. Keller and Jane Kim of Keller & Benvenuti LLP and Paul H. Zumbro, Kevin J. Orsini and Omid H. Nasab of Cravath Swaine & Moore LLP.

The civil case is In re: PG&E Corp. and Pacific Gas and Electric Co., case number 3:19-cv-05257, in the U.S. District Court for the Northern District of California. The bankruptcy case is In re: PG&E Corp., case number 3:19-bk-30088, in the U.S. Bankruptcy Court for the Northern District of California.

--Additional reporting by Mike LaSusa. Editing by Alanna Weissman.

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