

PG&E bankruptcy will be an expensive process

KTVU

Is PG&E too big to fail? California's increasing need for electricity certainly is. Assuming Pacific Gas and Electric files for bankruptcy on January 29, supplying customers electricity and natural gas will go on as usual. But, bankruptcy will complicate things mightily.

Frank Pitre's Cotchett law firm, along with three others have more than 600 burned out homeowner clients in Wine Country and Paradise. "The general procedure is that they're a stay issue on all cases that are in the civil proceeding that are currently pending in the San Francisco Superior Court. It would then transfer all of those claims into Bankruptcy Court," said Mr. Pitre.

That, says lawyer and former Dean of Golden Gate University Business School is a major problem for homeowners, "If your house is burned down because of the fire, you're not a priority creditor. You're an unsecured creditor.

Ben Young is a San Francisco bankruptcy attorney. "It's expensive process. There's delay for all parties. Fire victims are going to have to wait for their money. There's uncertainty. There's the cost of the legal process and lawyers," said Mr. Young. "The filing of the bankruptcy in no way means that their claims are not going to be fairly compensated," said plaintiff attorney Pitre.

"It's going to depend on how big the pot is and a lot of other people are going to be asked to contribute to that pot," said bankruptcy attorney Young..

PG&E's says it's facing \$30 billion in liability, far more than it can pay without a lot of help.

Attorneys

Frank M. Pitre

Practice Areas

Commercial Litigation

PG&E BANKRUPTCY WILL BE AN EXPENSIVE PROCESS

"Is the \$30 billion figure a realistic number? Of is it some fictitious, monopoly made up Wall Street number that was designed by PG&E to try to use it leverage to be able to shake down everybody?" asked Pitre. "If creditors don't get one hundred cents on the dollar, if they don't get paid in full, then equity, PG&E shareholders are probably wiped out at that point," said Young.

There are two other sources of possible funds to pay for all of this. "Rate payers are going to pay because it's going to cost more in the long run to get your power and to get your gas," said Dean Connelly. And, consider this taxpayers. "There may need to be some state ridging of funding and so forth because you look at what the Fed did with General Motors," said Connelly.

In PG&E's previous bankruptcy all creditors did get 100% of their claims. One idea: have PG&E sell long, term high interest rate debt instruments paid off over many years.