



FIRES

Fund for victims of PG&E wildfires is coming up short. Will California step in to help?

BY DALE KASLER

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Jennifer Bunny Keterman reflects on what she's lost and what she's gained in the past year since she lost her home in Magalia during the Camp Fire on the one-year anniversary, Friday, Nov. 8, 2019, as she focuses on healing. BY [RENÉE C. BYER](#)



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The man in charge of paying claims to PG&E Corp.'s wildfire victims just engineered a massive stock sale, unloading \$483 million worth of the utility's shares to raise money for thousands of Northern Californians in need.

But he didn't exactly make a killing on the deal.

John Trotter, a retired appellate court justice who runs the PG&E Fire Victim Trust, sold the stock in late January at \$2 below the fund's break-even point — the share price needed to ensure that wildfire victims get every penny they were promised.

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It was the first sale of PG&E stock since the trust was established, and it underscored a problem that's been [clouding the lives of wildfire victims](#) since PG&E left bankruptcy in 2020: Much of the payout to victims relies on the price of PG&E stock, which remains depressed. Although the trust still has millions of shares left to sell, Trotter worries the price won't ever get high enough to pay victims in full.

He's asking lawmakers for help.

Trotter said he's urged lawmakers to expand a state-run wildfire insurance fund established by the Legislature to help utilities pay claims from mega-fires. Right now the fund only pays off on fires that have taken place since July 2019, when it was created. That excludes the nearly 70,000 victims of the 2018 Camp Fire and other disasters [that sent PG&E into bankruptcy](#) and prompted the Legislature to act in the first place.

"The Camp Fire was such devastation that it caused the Legislature to act," Trotter said in an interview. "But the people that are the poster child of this legislation were not allowed to participate (in the fund)."

So far, though, Trotter said he's gotten nowhere with his idea. He said state officials are repelled by the idea of doing anything that could be construed as supporting PG&E.

"You know, PG&E is so toxic, they've been such a bad corporate entity that no one wants to do anything that appears to be helping them," Trotter said.

Gov. Gavin Newsom's office had no comment on the proposal, and key legislators involved in the creation of the insurance fund couldn't be reached.



But some leading policymakers believe it would be a mistake to expand the insurance pool, which was created by [passage of AB 1054](#). It has about \$10 billion in hand.

Michael Wara, a Stanford University climate and legal expert who's advised lawmakers on utilities' wildfire risks, said opening the insurance fund to earlier wildfire claims could undermine the fund's integrity in the eyes of investors.

That, he said, could prompt them to shy away from lending PG&E and California's other major utilities the billions they need to invest in the various safety programs the state deems necessary to tamping down risks.

"The markets are going to think the fund is a piggy bank," Wara said. "It will shoot up (utilities') borrowing costs." That will translate into higher monthly bills for ratepayers, he said.

At the same time, Wara said, the state shouldn't ignore the fire victims' plight. "It's clear the victims were treated badly in the bankruptcy," he said. "Maybe the state

should do something.”



PG&E’S \$13.5 BILLION PROMISE TO WILDFIRE VICTIMS

Driven into bankruptcy by a string of wildfire disasters, PG&E wrapped up its case in 2020 after promising to compensate victims for losses not covered by their insurance.

PG&E funded the independently-run Fire Victim Trust with \$6.75 billion in cash and 477 million shares of company stock, representing more than an ownership stake of more than one-fifth of the company. Victims were told by PG&E the total [payout would hit \\$13.5 billion](#). The victims won’t actually receive stock; instead, Trotter will sell shares over time to raise the cash he needs to make the total add up to \$13.5 billion.

In the meantime, he’s been paying claims, with [about \\$1.88 billion dispensed so far](#). Most of the money has gone to the victims whose claims have been approved; they’ve received 30 cents on the dollar, a figure that’s about to jump to 45 cents as more cash rolls into the trust. Some of the money has gone out in the form of “hardship payments” to thousands of victims who are in particularly dire straits, including those whose claims haven’t been approved yet.

“We wish we could go out faster but we’re doing our very best to get the money out,” Trotter said. “It’s going at a pretty rapid clip now.” Total payments are expected to hit \$2.5 billion by the end of February.

The trouble is with the half of the trust that’s funded with PG&E stock. To achieve the full payout promised in the bankruptcy, the trust must sell the shares at an average price of \$14.15.

But when Trotter authorized the first stock sale in late January, the price was well below that. The trust sold [40 million shares at \\$12.09](#).

Trotter, who's being advised by financial consultants, said he can't simply wait indefinitely for PG&E's stock to rise.

"I don't know that there's any guarantee that it's going to improve," he said. "My role as trustee is to get this money out as fast as I can We pay every two weeks."

PG&E, in a statement to The Sacramento Bee, said, "We empathize with the ongoing hardships many victims face, and remain steadfast in our commitment to make it safe for our customers and communities." The utility said it has fulfilled its end of the bargain by funding the Victim Trust under the terms negotiated during the bankruptcy case.



FIRE VICTIMS KNEW OF STOCK RISK

The problem posed by PG&E's depressed stock price has been an issue as far back as May 2020, when [wildfire victims were voting](#) on whether to accept the utility's bankruptcy plan. Although PG&E shares had already sunk well below the \$14.15 threshold, the victims voted overwhelmingly in favor of the compensation plan.

Among those voting "yes" was Vincent Woodhall, who lost his home and two businesses in the Camp Fire.

Woodhall and his wife, who now live in Galt, are waiting on claims totaling \$2 million, including compensation for lost revenue from his businesses. Because their claim hasn't yet been approved, so far they've only received a \$35,000 "hardship payment" from the trust — and wonder, because of PG&E's low stock price, if they'll ever be made whole.

Woodhall said he voted in favor of PG&E's payout plan, in part because of fatigue following the Camp Fire.

“After the whole traumatic thing and whatnot, you’re trying to move on,” he said. Victims’ lawyers told their clients that “this was the best deal they could get for the victims. And if we did not accept it, it would labor on for years.”

Meanwhile, the stock price remains depressed, closing Tuesday at \$11.40 a share on the New York Stock Exchange. The trust’s remaining 437 million shares are worth just under \$5 billion. Combined with its cash holdings, the fund is about \$1.3 billion short of what it needs to fulfill the company’s pledge to victims.

Analysts said other utility stocks have performed well in the past two years, but PG&E is dogged by continuing wildfire hazards.

“PG&E continues to face higher operational and financial risk than its peers,” wrote Travis Miller, an analyst with investment firm Morningstar, in a recent note to investors. For the time being, he said, PG&E is probably worth no more than \$11.50 a share.

Since leaving bankruptcy, the utility has been blamed for additional fires and is facing fresh liabilities totaling in the hundreds of millions of dollars. The most costly will surely be last year’s Dixie Fire, the second largest in California’s modern history.



The Dixie Fire ignited when a tree made contact with a PG&E power line in a remote area of Plumas County. The fire burned 963,000 acres and destroyed more than 1,000 homes and other buildings. PG&E is already being sued and has said total claims will hit at least \$1.15 billion.

As it happens, the Dixie Fire has left PG&E poised [to tap into the insurance fund](#) established by the Legislature — the first utility to do so.

The state-run pool is funded equally by ratepayers and shareholders. It operates [like an insurance policy](#) with a \$1 billion deductible, to buffer the big utilities from the damages caused by mega-fires. PG&E is eligible to withdraw \$150 million to pay claims from the Dixie Fire.

As for the earlier fires, the disasters that pushed PG&E into bankruptcy, the door to the state-run fund remains closed.

“I can’t seem to get anybody to step up to the plate,” Trotter said. “That doesn’t mean we’re not continuing to try.”

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