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John A. Norwood
Counselor at Law

Erin Norwood
Publisher

Contact Us
info@nalobby.net

Capitol Place 915 L
Street, Suite 1100
Sacramento, CA 95814

(916) 447-5053

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PG&E: Bankruptcy Watch

Not a day goes past now when there are not one or more developments that potentially affect the anticipated bankruptcy filing of energy giant PG&E. Insurers, local governments, trial lawyers, consumer groups and wildfire victims along with organized labor, green energy vendors, bond holders (including insurers), public and private pension funds, investors and many others are scrambling to influence the actions of PG&E, the California Public Utilities Commission (CPUC), the Legislature and the Governor's office relative to the massive liabilities facing this company.

Developments in just the last few days include:

1. Cal-Fire announced that the cause of the Tubbs fire in the Santa Rosa in 2017 has been traced to an electrical system installed on private property. The Tubbs fire was the second most destructive fire in California history. The finding is relief to PG&E as the fire destroyed over 4,000 homes and structures and caused the death of 22 persons;
2. PG&E announced that it had lined up \$5.5 billion dollars in financing to carry it through bankruptcy over the next two years, the estimated time it will take to complete the company's reorganization;
3. Consumer Advocate Erin Brockovich led a rally at the State Capitol urging legislators not to abandon victims of California's wildfires by allowing PG&E to go into bankruptcy.
4. The head of PG&E's largest labor union penned an op-ed encouraging Governor Newsom to take bold action, including changing state liability laws, to save the company due to their critical role in providing clean energy to fight climate change, including changing to liability system;
5. A bill was introduced by Assemblyman Chad Mayes to set up a catastrophe fund similar to California's Earthquake Authority provide additional insurance for damages resulting from climate change;
6. Governor Gavin Newsom appointed a municipal energy advocate, Genevieve Shiroma, to the CPUC and made 3 appointments to the Wildfire Commission created last session to look at wildfire preparation, response, mitigation and liability. Among these appointments is former Insurance Commissioner Dave Jones. The Commission on Catastrophic Wildfire Cost & Recovery is charged with recommending changes to ensure "equitable distribution of cost" from such disasters. Their report is due to the Governor and the Legislature in July.

7. Investor group Blue Mountain Capitol Management filed a letter with the CPUC informing the regulator of their belief that PG&E's entire Board of Directors should be replaced as they have failed the company as well as consumers and investors. The fund argues that PG&E is not bankrupt and should not be allowed to file for bankruptcy.

8. There are several bills pending to either break up PG&E, convert them to a publicly owned utility or allow local entities the ability to acquire portions of the utilities' assets to form local public owned energy providers.

9. PG&E issued a statement blasting a federal court judge's plan for wildfire safety saying it would cost ratepayers between \$75- \$150 billion dollars to inspect every inch of its power lines and remove every tree that could fall on its equipment. PG&E is in Federal court as the company is still on probation for its criminal conviction in the San Bruno gas explosion;

10. Key legislators announced today that they would not pursue legislation to allow PG&E to securitize bonds to pay for costs of the 2018 fires. This is in reaction to the company indicating they feel they can obtain a better deal in bankruptcy

So where is this all going? We are only in the third week of the new Administration and the new legislative session. As such, it is way too early to predict any outcomes. Although legislators are seemingly not inclined to provide a bailout for PG&E, there is a growing worry that what former Governor Brown called the "new abnormal" will undermine the financial integrity of the other investor owned utilities due to increased borrowing costs, fire liability and lack of available insurance coverage. Keep in mind the last energy crisis and PG&E bankruptcy filing resulted in a recall of Governor Gray Davis in 2001. For a new Governor who many believe has his eye on an eventual run for the White House, this is an untenable position. Look for Governor Newsom to be actively engaged in developing a proactive plan to address the future of PG&E.

Stay tuned...

Commissioner Lara Announces Executive Team

Insurance Commissioner Ricardo Lara announced new members of his executive team, including the first Latina chief deputy in the history of the Department of Insurance.

The new executive team members join an existing leadership team that oversees the nation's largest state consumer protection agency. Commissioner Lara swore in the new members after taking office on January 7.

"I am proud of naming our first Latina chief deputy in the Department's history because I believe all levels of government should reflect California's diverse communities," said Commissioner Lara. "Our team will embrace innovation, with the first in the nation executive-level position engaging the insurance industry in the fight against climate change. Protecting California's consumers demands we confront the growing threats from wildfires, fraud, and the rising cost of health care in partnership with the Governor and Legislature."

Chief Deputy Catalina Hayes-Bautista joins the Department of Insurance after serving as Deputy Legislative Affairs Secretary in the Office of Governor Edmund G. Brown, Jr. She previously served as Deputy Secretary for Legislative Affairs at the California Environmental Protection Agency, was a principal consultant in the Office of Speaker Toni Atkins, served as Legislative Director in the Office of California State Senator Ricardo Lara, and as Legislative Aide in the Office of California State Assemblymember Fiona Ma.

Senior Deputy Commissioner and Legislative Director Michael Martinez rejoins the Department of Insurance, where he served as Deputy Insurance Commissioner and Legislative Director under Insurance Commissioner Dave Jones. He was previously a Deputy Legislative Affairs Secretary and Deputy Appointments Secretary in the Office of Governor Brown.

Michael Peterson will serve as Deputy Commissioner for Climate and Sustainability, the nation's first executive-level position focused on engaging the insurance industry in the fight against climate change. He previously served as legislative consultant to Senator Lara, focusing on climate change, natural resources and energy policy, and as a consultant for the California State Senate Committee on Natural Resources and Water.

Director of Community Outreach Julia Juarez will lead the Department's engagement with California communities. She previously served as District Director for Senator Lara when he represented the 33rd Senate District.

Special Assistant David Green joins the Department after serving in the Capitol office of Senator Lara.

Michael Soller will serve as Deputy Commissioner for Communications and Press Relations (Northern California). He previously served as Communications Director to Senator Lara and as Communications Director for the California Democratic Party under former Chairman and Senate President pro Tempore Emeritus John Burton.

Assemblymember Brian Maienschein Leaves GOP and Joins the Democratic Party

Assemblymember Maienschein announced this week that he has registered as a Democrat.

"Leaving the Republican Party is not easy. I can either keep fighting to change the Republican Party or I can fight for my constituents. I choose to use my energy and skills for the people I represent," said Maienschein.

Maienschein, a four term Assemblymember, has often been at odds with the Republican Party, voting across party lines on issues such as health care and privacy.

"My reason for serving has never changed, I still believe that government should help people," says Maienschein. "I will do everything I can to ensure that it will - as a member of the Democratic Party."

Assembly Speaker Anthony Rendon (D-Lakewood) welcomed the addition of Assemblymember Brian Maienschein to the Democratic Party stating "His legislation, his actions and his presence in the Assembly have always shown him to be a man committed to ideas for making California better, not to ideology that divides us."

Assembly Republican Leader Marie Waldron (Escondido) however was very upset by the announcement and issued the following statement in response to Asm. Brian Maienschein's announcement that he is leaving the Republican Party:

"It's unfortunate that Brian's takeaway from his extremely close reelection was that his political future depended on becoming a turncoat. Unfortunately some people run for office simply because they want a job, regardless of political philosophy. It appears that Brian falls into this category.

"Running away from the fight for a more affordable, efficient and accountable government for hardworking Californians is not the answer.

"While Brian is enjoying the perks of his new status as a member of the Democrat majority in the Legislature, we Republicans will continue to stand for the people of California."

Democrats now have 61 members in the Assembly and 19 Republicans.

Senate Caucus Elects Brian Jones as Caucus Chair

Outgoing Senate Republican Leader Patricia Bates (R-Laguna Niguel) and Senate Republican Leader-Elect Shannon Grove (R-Bakersfield) announced this past week that the Senate Republican Caucus has unanimously elected Senator Brian Jones (R-Santee) as the new Caucus Chair, effective March 1st.

"I congratulate Brian Jones and also commend Jim Nielsen for being a great partner and co-leader during my tenure as Senate Republican Leader," said Senate Republican Leader Bates.

Leader-Elect Grove said, "Senator Jones and I have a great working relationship that began while we served in the Assembly. I have great respect for him and the strengths he brings to the Republican Caucus leadership team."

Senator Jones said, "I look forward to working with incoming Senate Republican Leader Shannon Grove to consistently and effectively communicate and advocate for the policies of the Senate Republican Caucus. I also commit to help all Senators, and particularly Senate President pro-Tem Toni Atkins, in the continued smooth operation of the Senate."

Senator Jones replaces outgoing Caucus Chair Senator Jim Nielsen (R-Tehama) who will remain in a leadership role as "Dean of the Legislature" and Vice-Chair of the Senate Budget and Fiscal Review Committee.

Senator Nielsen said, "Congratulations to Senator Jones for being elected as Chair of the Senate Republican Caucus. I look forward to working with him."

The Caucus Chair is the number two position in the Republican leadership structure. Senator Jones will assist the Leader in overseeing caucus operations, advancing the Republican message, and achieving the Caucus' legislative goals.