

PG&E Files for Bankruptcy as Wildfires Liability Looms

By Dani Kritter, J.D. Candidate 2021 | February 4, 2019

On the hook for billions of dollars in wildfire liability, Pacific Gas and Electric Corp. filed for Chapter 11 bankruptcy protection on January 29th. Despite PG&E's precarious finances, [shares rose 16.5 percent and its market value soared to over \\$7 billion](#) in the hours after the bankruptcy filing. Though executives claim that insolvency is "[the only viable option](#)," in many ways PG&E will benefit from bankruptcy proceedings.

PG&E faces lawsuits for dozens of wildfires in 2017 and 2018 and is currently under investigation for contributing to the deadly [Camp Fire](#) in November, in which 86 people died. The company has estimated that its liability will exceed [\\$30 billion](#). However, this number is far from certain. Investors are betting that PG&E's actual liabilities will be much lower after the company beats many of the wildfire claims in bankruptcy court. Further, the liabilities will not hit the company all at once; many of the lawsuits will take years to resolve.

PG&E has used its financial uncertainty as an excuse to benefit from bankruptcy. Bankruptcy protection shields the company from further claims and buys executives more time to figure out next steps. The filing also eases financial pressures by allowing the company to delay payments to creditors and to take out more loans. Further, bankruptcy court gives PG&E leverage to [renegotiate contracts](#) with clean energy suppliers.

While PG&E stands to benefit, the immediate costs of the utility company's bankruptcy likely will be borne by consumers. Though [interim CEO John Simon](#) promised customers no disruption and that "the power and gas will stay on," PG&E hopes to achieve this by [hiking electricity bills](#). Thus, filing for bankruptcy puts pressure on regulators and elected officials to allow PG&E to raise customer rates to cover losses and ensure that its 16 million customers continue to have power.

PG&E's bankruptcy highlights the urgent need for California to rethink how it assigns responsibility and pays for wildfire disasters. As [fire seasons](#) become more destructive, this is not the last time that PG&E will face massive wildfire liability.

