

DESCRIPTION OF TRANSACTION AND PUBLIC INTEREST STATEMENT

Introduction

Pacific Gas and Electric Company (“PG&E”), Debtor-in-Possession, a California corporation, hereby requests consent from the Federal Communications Commission (“Commission”) to undertake the transactions contemplated by its recently-filed Plan of Reorganization (“Plan”) under Chapter 11 of the Bankruptcy Code¹ and, pursuant to Section 5.79(a) of the Commission’s Rules, that will result in the assignment of the experimental licenses listed on the accompanying Form 702 (“Licenses”) from PG&E, Debtor-in-Possession, to the newly Reorganized PG&E.² As discussed below, these assignments are consistent with the public interest, convenience, and necessity.

Description

PG&E is a public utility supplying natural gas and electricity to millions of customers in central and northern California. PG&E is a subsidiary of an energy-based holding company, PG&E Corporation, Debtor-in-Possession, a California corporation. On January 29, 2019, PG&E filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Northern District of California, stemming from financial challenges flowing from the claims asserted and expected to be asserted against PG&E relating to catastrophic wildfires that occurred in 2017 and 2018. The Voluntary Petition converted the legal status of PG&E to “Debtor-in-Possession.” Following Commission approval, PG&E’s experimental and private wireless licenses in radio services including land mobile, private microwave, aviation, paging, and coastal license authorizations were transferred *pro forma* to PG&E, Debtor-in-Possession.

On March 16, 2020, PG&E filed a Plan with the Bankruptcy Court to emerge from chapter 11. Under the Plan, the Reorganized PG&E will have access to approximately \$47.1 billion of capital through new credit facilities, new debt and equity financing, and the reinstatement or exchange of existing debt financing. The Plan addresses all claims and equity interests, maximizes value for all parties in interest, and ensures that PG&E will be positioned to deliver safe and reliable service to its customers. Specifically, the Plan calls for the creation and funding of an approximately \$13.5 billion Fire Victim Trust in order to satisfy existing claims of individual wildfire victims.

The Fire Victim Trust will be funded half in cash, half in the equity of PG&E’s reorganized holding company, with the equity portion calculated using an equity value equal to 14.9 multiplied by the Normalized Estimated Net Income as of a date to be agreed upon among certain parties and representing no less than a 20.9 percent equity stake in the Reorganized PG&E Corporation. Additionally, the Fire Victim Trust will establish a claims resolution and distribution process to provide compensation to the nearly 83,000 fire victims that filed claims,

¹ 11 U.S.C. § 1101, *et. seq.*

² 47 C.F.R. § 5.79(a).

with the Fire Victim Trust holding and selling the equity portion for the benefit of fire victims. Nothing in the Plan requires the equity portion to be distributed to individual Fire Victims.

In addition the Plan calls for the issuance of new equity by the Reorganized PG&E Corporation. Although this may introduce new equity holders, these investors will be generally widely distributed—with none other than the Fire Victim Trust expected to own more than 10 percent of the outstanding equity of the Reorganized PG&E Corporation.³ The precise aggregate percentage of equity interests generated pursuant to this issuance will not be known until the process is complete,⁴ but existing holders of common stock will retain their shares, subject to dilution; accordingly, there will not be a wholesale replacement of equity holders. Out of an abundance of caution, PG&E is requesting the Commission’s consent to a substantive transfer of its Licenses to preserve against the possibility that these widely-held interests ultimately comprise more than 50 percent of Reorganized PG&E Corporation’s outstanding stock in aggregate. Regardless of this outcome, however, Reorganized PG&E Corporation will continue to control the licensee PG&E, and the Reorganized PG&E Corporation will continue to have no individual or entity controlling it.

Approval is in the public interest because transfer of the Licenses will permit PG&E to successfully emerge from chapter 11. The Commission has long recognized that emergence from chapter 11 through a successful settlement of outstanding debt obligations is, in and of itself, a substantial public interest benefit.⁵ Simply “facilitating retirement of debt and improving access to capital” can result in “significant public interest benefits.”⁶ Moreover implementing the Plan ensures that PG&E can provide full and fair compensation to the wildfire claimants while also securing the resources necessary to provide safe, reliable service, and invest further in system reliability and resilience.

Operation of the Licenses will remain unaffected by the assignments. The chapter 11 proceeding has not materially changed PG&E’s controlling interest, nor will approval and execution of the Plan do so. PG&E Corporation is simultaneously emerging from chapter 11 and will remain the parent holding company of PG&E, retaining a 96.24 percent ownership interest in the Reorganized PG&E. Similar to PG&E, the emergence of PG&E Corporation does not materially affect PG&E Corporation’s controlling interest. No one party will control the

³ This determination is consistent with PG&E’s monitoring of required SEC disclosures by beneficial owners.

⁴ The planned issuances may take the form of a widely-distributed public offering or rights offering, or the utilization of backstop equity commitments. Prior to the planned issuances, PG&E Corporation will file Amended and Restated Articles of Incorporation, which will prohibit any person (in any issuance) from acquiring an equity interest in the Reorganized PG&E Corporation greater than 4.75 percent without the prior consent of the Board of Directors. In addition to the foregoing issuance options, PG&E is considering a private equity issuance to one or more investors that may represent 5-10 percent of the equity interests in the Reorganized PG&E Corporation.

⁵ See *WorldCom, Inc. and Its Subsidiaries and MCI, Inc.*, Memorandum Opinion and Order, 18 FCC Rcd 26484, 26503 ¶ 29 (2003).

⁶ *DBSD North America, Inc. and DISH Network Corp.*, Order, 27 FCC Rcd 2250, 2260 ¶ 26 (2012).

Reorganized PG&E Corporation following emergence, just as none did before emergence. And it remains widely-held.