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2021 DEALMAKERS OF THE YEAR



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FOLLOWING THE DEADLIEST AND MOST DESTRUCTIVE wildfire in California's history, PG&E, one of the state's six investor-backed utilities, sought bankruptcy protection in January 2019 after amassing \$30 billion in liabilities from the blaze.

This was no ordinary bankruptcy case. Sure, there was a debt-reduction component, as there is in any bankruptcy. But as the natural gas and electric provider for more than 5 million households, the utility's bankruptcy filing raised a few major red flags, particularly over the utility's massive tort liabilities—and whether or not they would be passed along to ratepayers.

Gov. Gavin Newsom assembled a team of attorneys, led by O'Melveny partner Nancy Mitchell, to create a viable reorganization plan that would also preserve the state's interests.

"What was different about PG&E's bankruptcy was that the solution to the bankruptcy wasn't just a question of cutting debt," Mitchell says. "It was a question of finding a public policy solution that was going to be acceptable to California that also allowed PG&E to issue debt in the market in a way that was going to be bankable from the perspective of Wall Street."

What really made this deal unique, Mitchell notes, was navigating the regulatory process that stood between the utility's problems and their solutions. "There was a tremendous lack of certainty around how the regulator was going to treat PG&E's tort liabilities," Mitchell says.

Because federal law preempts state law in the bankruptcy area, the solution required legislation. After more than a year-and-a-half of negotiating, Mitchell and her team ultimately developed a \$59 billion reorganization plan directed by first-of-its-kind legislation, which included a \$21 billion wildfire fund to stabilize the state's investor-owned utility market and help PG&E resolve its liabilities. It included a set of conditions for accessing the fund, including a one-year deadline for exiting bankruptcy, a requirement that the plan be neutral to ratepayers and assurances protecting California's climate goals.

Mitchell says being part of the process of drafting legislation made it "far and away the most interesting thing I think I've done—ever." —SARAH TINCHER

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