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## MARKETS

# PG&E Shares Jump After California Clears Company in 2017 Blaze

Investigators said the Tubbs Fire was caused by a private electrical system, not PG&E equipment



The California Department of Forestry and Fire Protection said it found no evidence of violations of state law related to the cause of the Tubbs Fire. PHOTO: GEORGE ROSE/GETTY IMAGES

*By Katherine Blunt*

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PG&E Corp. [PCG 74.59% ▲](#) shares surged after California fire investigators said the utility didn't cause the deadliest in a series of 2017 state wildfires.

California fire investigators said the Tubbs Fire, which killed 22 people and destroyed nearly 37,000 acres mainly in Napa and Sonoma counties, was caused by a private electrical system near a residential structure, ending speculation that PG&E might have been liable for the blaze.

Shares in PG&E, which said last week that it was planning to seek bankruptcy protection by month's end in response to wildfire-related liability costs, rose Thursday by 75% to close at \$13.95.

The California Department of Forestry and Fire Protection said it found no evidence of violations of state law related to the cause of the Tubbs Fire. It has previously found that PG&E equipment helped spark 18 other wildfires during a spate of deadly fires that hit the state in 2017.

State officials have yet to determine whether PG&E equipment helped cause the Camp Fire, the state's deadliest fire to date, which killed 86 people last year. PG&E has disclosed that a high-voltage line malfunctioned in the region where the Camp Fire began, failing some 15 minutes before the start of the blaze was reported in November.

Even after Thursday's jump, the company's shares are still down 41% this month and on track for their worst monthly decline since November, when PG&E fell 43%.

PG&E has said it could face as much as \$30 billion in potential liability costs related to the 2017 and 2018 wildfires. That estimate, however, included the possibility it could be found liable for the Tubbs Fire. A company spokeswoman didn't immediately offer a revised estimate and said its liability costs could still exceed that number.

"Regardless of today's announcement, PG&E still faces extensive litigation, significant potential liabilities and a deteriorating financial situation, which was further impaired by the recent credit agency downgrades to below investment grade," the company said in a written statement.

PG&E faces substantial challenges in grappling with the fallout from the spate of wildfires, which have called into question the safety of its electric grid and the effectiveness of its risk-mitigation practices. The California Public Utilities Commission has expanded an existing probe into the company's safety practices and is considering whether the company should be broken up.

PG&E is shaking up its board of directors as part of a plan to improve its safety practices. The company has said it also plans to invest billions of dollars to reduce fire risk within its 70,000-mile service territory by installing weather stations and cameras and enhancing inspections and tree-trimming practices, among other things.

BlueMountain Capital Management LLC, a hedge fund that recently raised its stake in PG&E, has questioned the utility's plan to seek bankruptcy protection, arguing that the company isn't yet insolvent and that its ultimate liabilities from fires remain unclear. On Thursday, the hedge fund said it would mount an effort to replace PG&E's 10-member board during its meeting in May and encouraged other shareholders to support a proxy fight.

“The news from Cal Fire that PG&E did not cause the devastating 2017 Tubbs fire is yet another example of why the company shouldn’t be rushing to file for bankruptcy, which would be totally unnecessary and bad for all stakeholders,” BlueMountain Capital said in a written statement.

PG&E said earlier this month that it faced about 50 lawsuits related to the Camp Fire on behalf of 2,000 individual plaintiffs, and more than 700 lawsuits on behalf of at least 3,600 plaintiffs in connection with the 2017 fires.

California Gov. Gavin Newsom said Thursday that he had discussed the findings of the state investigation with PG&E executives. He expressed worries that the findings might complicate efforts by fire victims to seek compensation for damages.

“It’s made it more challenging and that’s a concern I have,” he said. “It’s certainly a concern that plaintiffs’ attorneys have.”

Mike Danko, a California trial lawyer who represents victims of the Tubbs Fire and other wildfires, said the Tubbs blaze accounts for a substantial percentage of the litigation resulting from the 2017 fires. He said his group, the Northern California Fire Lawyers, is representing about 150 cases related to that fire.

California’s findings will make it more challenging to recoup damages under the state’s principle of inverse condemnation, which renders utilities liable for property damage caused by their equipment even if they aren’t found negligent, he said. But he expected the litigation to continue.

“We won’t be giving up,” Mr. Danko said. “But it has become a more difficult case than the other cases.”

—Alejandro Lazo and Becky Yerak contributed to this article.

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