

PG&E connection to Kincade Fire could deepen utility's jeopardy

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Helicopters dump water on the Kincade Fire burning Friday off Pine Flat Road outside of Geyserville.

Photo: Santiago Mejia / The Chronicle

A small metal link connecting Pacific Gas and Electric Co. electrical lines on a Burned Mountain transmission tower malfunctioned in the moments before the Kincade Fire sparked.

That fractured jumper may send past fire

victims to the back of the claim line — and throw the utility into further financial and political turmoil.

The cause has not been determined for the Sonoma County blaze that has destroyed or damaged almost 50 structures and burned almost 22,000 acres; but if investigation were to conclude that PG&E equipment played a role, a number of damaging dominoes would fall for the utility that is already mired in bankruptcy court and closely monitored on federal criminal probation.

Wall Street didn't wait for a final determination, after the company acknowledged late Thursday in a report to the California Public Utilities Commission that one of its transmission lines near the Kincade Fire's origin point failed in the moments before its ignition. Shares cratered in the first minutes of trading Friday, and ended the day down 31%, wiping out \$1.2 billion in shareholder equity. At \$5, the share price is below even the lows it tested in January as PG&E, weighed down by billions in potential wildfire liabilities, announced it would soon file for bankruptcy.

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It's just one of a raft of problems for the utility. Already facing backlash for its roles in the deadly 2018 Camp Fire and 2017's Wine Country fires, the utility drew increased public anger with its power shutdowns meant to prevent such catastrophic blazes. The Kincade Fire — if investigators definitively link it to PG&E equipment — may show that despite shutting down large portions of its system to become less fire-prone, PG&E still cannot assure its customers' safety.

“We understand that shutting off power is an extreme measure that disrupts lives, and we

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In its report to state regulators, PG&E said it became aware of an outage around 9:20 p.m.

Wednesday on a 230,000-volt transmission line “when the line relayed and did not reclose,” or automatically restart. The malfunction occurred on the slope of Burned Mountain — near the site where state officials say the fire started minutes later among a web of Calpine’s geothermal power facilities.

The company has said that transmission lines of that voltage were energized when the fire started, even though PG&E turned off electricity to lower-voltage distribution lines

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enough to necessitate shutting off stronger transmission lines in that area.

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BY J.D. MORRIS

PG&E transmission tower broke near origin of Kincade Fire



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After the fire raced down the mountain and west into Geyserville leading to a mandatory evacuation, a PG&E employee patrolling the company’s Geysers #9 Lakeville transmission line saw that the California Department of Forestry and Fire Protection had taped off the area around Tower 001/006, according to the report. Cal Fire personnel showed the employee “what appeared to be a broken jumper on the same tower,” the report said.

The tower in question had been inspected earlier this year and CEO Bill Johnson told reporters at a news conference Thursday that

some minor problems were found and fixed, except for some painting.

Sources familiar with that work told The Chronicle four PG&E workers conducted an inspection on Feb. 7. Two climbed the tower, checking equipment and snapping numerous photographs, while the other pair worked in the snow on the ground. The foreman reviewed the photos, while a drone was flown to capture more images, they said.

PG&E has increased efforts to inspect and repair its infrastructure in areas of high fire threat, inspecting more than 750,000 power poles and fixing all the highest priority projects. In Sonoma County, the company said it has fixed or replaced all 41 distribution and two transmission lines needing immediate repairs this year. On equipment found needing less-urgent repairs — where a three-month time frame for fixes is deemed safe — work on 278 of 281 distribution lines has been completed, and 119 of 181 transmission lines, according to the company.

If PG&E's equipment sparked the fire, the utility would be liable under California's legal principle of inverse condemnation.

PG&E is in the unique position of being in bankruptcy proceedings as the Kincade Fire burns. If the cause is linked to the utility, UC Hastings law professor Jared Ellias said, any Kincade Fire claims would have to be paid in full by PG&E first.

“They go to the front of the line,” said Ellias, who has been following the bankruptcy case.

“Bankruptcy law says that once you file for bankruptcy, as part of getting a fresh start, a firm that’s operating in bankruptcy needs to be considered trustworthy by counterparties and creditors,” Ellias said, “meaning if they make a promise they are required to keep it and that promise is more important than the promises made prior to bankruptcy.”

In addition, under the company-backed plan of reorganization, investors can pull the financing required for PG&E to exit bankruptcy if a fire linked to its equipment destroys more than 500 structures this year. If PG&E does not resolve its bankruptcy as planned by June, it could lose access to a state-backed fund meant to offer utilities swift financing for wildfire claims.

Andrew Vesey, CEO of PG&E’s utility

subsidiary, said at a Friday press conference that he couldn't discuss "hypotheticals" regarding the company's bankruptcy process.

Attorney Frank Pitre said his fire victim clients tell him they are reliving their own experiences as they watch events unfold.

"Let's hope it's not as devastating an impact as it was in Paradise," Pitre said. "We hope to God the kind of consequences we have here can be kept limited."

As far as PG&E's possible link to the fire, Pitre said the prospect makes him sick to his stomach.

"How could they mess this up again?" he said.

Gov. Gavin Newsom, visiting sites damaged by the Kincade Fire on Friday, slammed PG&E for "years and years of greed, years and years of mismanagement," which resulted in the utility not hardening its grid against climate change.

"We should not have to be here," he said.

"They simply did not do their job. It took us

decades to get here, but we will get out of this mess and hold them to an account that they've never been held in the past," he said.

He also dismissed a suggestion by PG&E Corp. CEO Bill Johnson that the state should take over authority and responsibility for the shut-offs, calling it a bailout to the company.

"It doesn't surprise me that PG&E is looking for a bailout," Newsom said. "We will not bail out PG&E."

"We share the governor's desire to keep our customers and communities safe from the threat of wildfire, which is the sole focus" of the power shut-off program, said King, the PG&E spokesman. The company thanked the governor's office and other state agencies for "help and counsel" during recent shut-offs.

Sen. Scott Wiener, D-San Francisco, said the Capitol has been in "triage mode" for the past two years, focused on stabilizing PG&E and other investor-owned utilities. The influence of utilities and their union with the Legislature has been a barrier, Wiener said, as has concern that the state's energy system is too fragile right now to sustain a major transformation.

But growing anger and frustration over PG&E's widespread power shut-offs could once again open the door for change. Senate President Pro Tem Toni Atkins, D-San Diego, this week announced a 10-senator working group, including Wiener, to study ways to limit negative impacts of the shut-offs.

“We all assumed those shut-offs would be done surgically and responsibly, and that has not been the case,” Wiener said. “PG&E has been completely over the top and ham-handed about it.”

Johnson has defended the company's approach to shut-offs, citing damaged equipment that was found after winds whipped up in this month's first power shut-off. He acknowledged that the company communicated poorly with customers and public officials.

Wiener expects the working group to produce legislation for the session that starts in January. He already has several bills on his own agenda, including proposals to limit when and how long PG&E can turn off power, make it easier for local governments to bring utilities under their control, and remove barriers for homeowners and

businesses to install solar power and energy storage systems.

State Sen. Bill Dodd, D-Napa, whose constituents have been hard hit by fires and power shut-downs, said in an emailed statement that it would be “sad and disturbing” if PG&E is found responsible for the Kincade Fire.

“But I won’t be surprised,” Dodd said. “After all, the utility’s mismanagement and failure to invest in safety is already responsible for the destruction of thousands of homes and tragic, senseless deaths. ... Given PG&E’s continued bungling of its operations, I believe all options are on the table including taking a close look at major structural changes that would reorganize the way power is distributed in this part of California.”

Chronicle staff writers Shwanika Narayan and Lauren Hernández contributed to this report.

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