

# Investment Report -PG&E

411079023 企管二 林芯宇

Group 10

**Part 1: Clearly point out the firm whose stock has been removed from the stock market or experienced a dramatic drop during some period of time(Team)**



### **PG&E Corporation's introduction:**

PG&E Corporation is a publicly-traded utility company based in San Francisco, California, United States. It is one of the largest investor-owned electric utility companies in the country. PG&E provides natural gas and electric services to millions of customers in Northern and Central California.



PG&E stock price line chart from 1980 to 2019

### **PG&E stock decline:**

- **2001~2004 (Stock price fell under 10 dollars) (California's electricity deregulation)**

PG&E faced bankruptcy due to the consequences of California's electricity deregulation, including the development of new power sources and transmission facilities. One of the key issues was the lack of accountability for backup capacity, as it was not clearly defined who was responsible for ensuring an adequate reserve. Additionally, the removal of price controls was insufficient, resulting in a situation where supply and demand could not be effectively adjusted through price mechanisms. As a result, PG&E experienced financial difficulties and ultimately filed for bankruptcy. This was a result of the company's inability to manage the challenges posed by the changing electricity market landscape.



PG&E stock price line chart from 2017 to 2023

- **2017 (Stock price fell to 38.57 dollars) (Wildfire event)**

In 2017, PG&E was indeed involved in significant wildfire events. One of the most notable incidents was the series of wildfires known as the "North Bay Fires" in Northern California.

These wildfire incidents had a significant negative impact on PG&E. The company faced numerous lawsuits and claims, alleging its failure to take sufficient preventive measures to mitigate the risk of fires. Additionally, PG&E's reputation was damaged, and investors grew concerned about its financial and managerial condition, leading to a decline in the stock price.

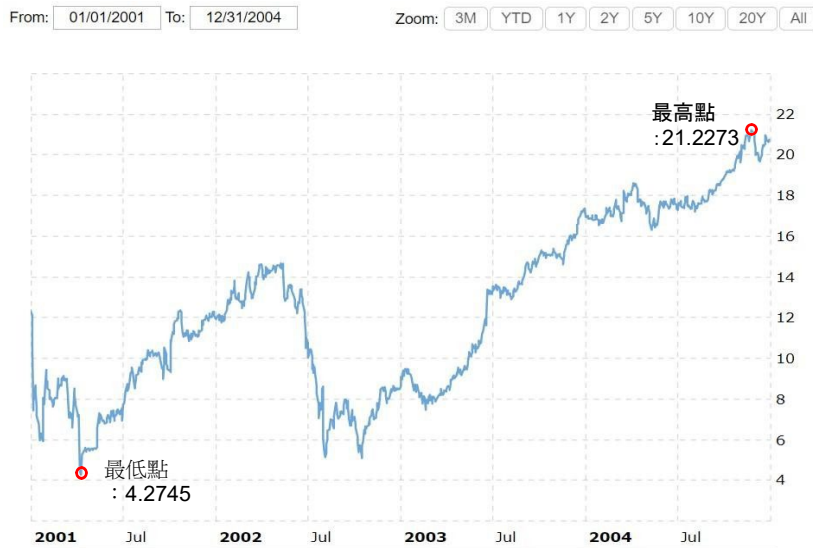
- **2018(Stock price down to 23.84 dollars) (Wildfire event)**

The wildfires in California in November 2018 had a major effect on PG&E's stock price. The company was identified as one of the potential culprits, leading to numerous lawsuits and claims. Investors grew concerned about the potential for substantial liability, resulting in a sell-off of the stock and a decline in its price.

- **2019(stock price fell to 5 dollars) (Filed for bankruptcy protection)**

In 2019, PG&E filed for bankruptcy protection in response to the immense potential liabilities. This decision further eroded investor confidence and caused a further drop in the stock price. The bankruptcy proceedings had significant implications for the company's operations and financial condition, resulting in losses for shareholders.

## Part 2: Plot the figure showing price dynamics.(Team)



PG&E stock price line chart in 2001-2004

The California Public Utility Commission (CPUC) set the rates that PG&E could charge customers and required them to provide as much power as the customers wanted at rates set by the CPUC in 1980. A drought in the northwest states and California reduced the amount of hydroelectric power available. PG&E faced serious **financial challenges** that force the company to file for **bankruptcy and Chapter 11 reorganization**.

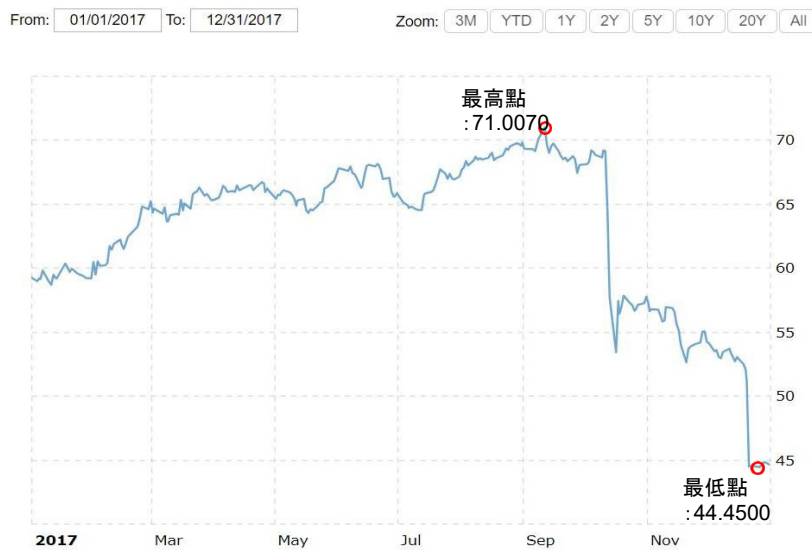
The state of California tried to bail out PG&E, but then the state lost lots of money. PG&E finally emerged from the bankruptcy by paying \$10.2 billion to its hundreds of creditors.



PG&E stock price line chart in 2005-2016

The stock price continuously rises during 2005-2016. The following are how PG&E develop new products and new markets to make the price go up:

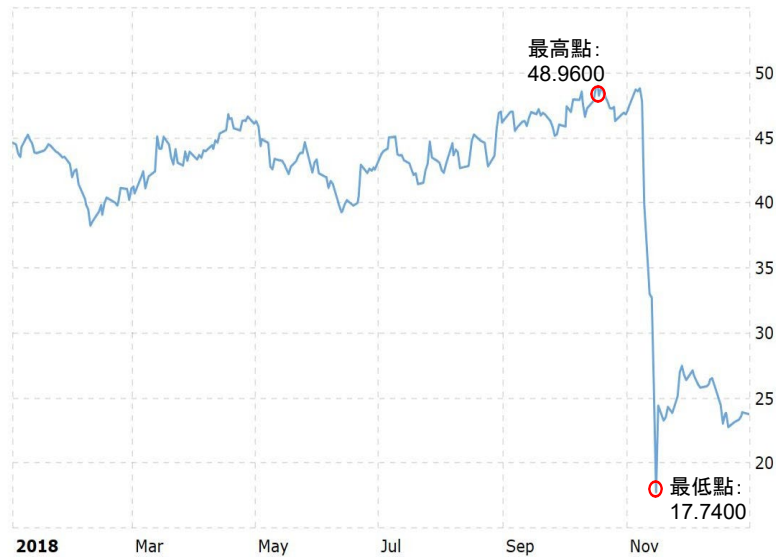
- **Renewable Energy:** PG&E has entered into more than 110 contracts to procure nearly 9,000 megawatts of renewable energy since 2002, including biomass and waste, geothermal, wind and solar. Under California's renewable portfolio standard, PG&E now has contractual commitments for more than 20 percent of future renewable energy deliveries.
- **Clean-Fuel Vehicle Fleet:** PG&E developed a clean-fueled fleet of utility cars and trucks in 2010, recognized as the leading utility fleet by Automotive Fleet magazine. Their current clean fleet of vehicles are deployed across our service area in northern and central California and includes natural gas vehicles, all-electric cars and trucks, hybrids and bio-diesel cars and trucks.
- **Energy Grid:** PG&E's SmartMeter™ program can help customers understand and manage their energy use to save money and resources.



PG&E stock price line chart in 2017

A significant **wildfire** events in 2017 influenced PG&E a lot. PG&E's reputation was damaged by numerous lawsuits, which causes investment in PG&E apparently decreased, and the stock price declined at the same time.

From: 01/01/2018 To: 12/31/2018 Zoom: 3M YTD 1Y 2Y 5Y 10Y 20Y All



### PG&E stock price line chart in 2018

The occurrence of a series of severe **wildfires** in California, which resulted in significant loss of life and property damage, some of which were **associated with PG&E's electrical infrastructure**, led to **legal lawsuits and compensation** claims against PG&E. The high financial demands resulting from these incidents raised concerns among investors about the company's financial stability, thereby causing a decline in the stock price.

From: 01/01/2019 To: 12/31/2019 Zoom: 3M YTD 1Y 2Y 5Y 10Y 20Y All



### PG&E stock price line chart in 2019

In **early 2019**, PG&E's stock price declined due to its **application for bankruptcy protection**.

After that, PG&E proposed a **restructuring plan** aimed at reorganizing and improving the company's financial condition. This plan **received support from government agencies and regulatory bodies**, providing investors with a certain level of confidence, thus driving the **stock price to rise**.

PG&E's stock price hit its **lowest point** due to the **pressure from regulatory agencies and the government** during its bankruptcy protection period. The California Public Utilities Commission (CPUC) conducted an investigation of the company's management and safety measures, which could have impacted its operations and further intensified investor concerns.

**Part 3: Main part: Provide the whole story and give your opinion from the global perspective. ( Individual)**

### **PG&E Company Introduction:**

PG&E is an energy company headquartered in California, United States. It was established in 1905. As one of the largest public utility companies in California, PG&E provides electricity and natural gas services, supplying energy to millions of residents and businesses in the state.

### **Investors' perception of the product:**

Profits:

- Some investors may believe that PG&E **holds a strong market position** in electricity and natural gas supply, enabling them to generate stable profits from the industry.
- Some investors believe that PG&E may still face **potential risks and challenges**. In recent years, PG&E has encountered issues with electricity supply, natural gas pipeline safety, and risks associated with natural disasters, particularly in relation to wildfires in California. These issues can impact the company's stability and profitability.

Environment:

- Some investors may be more concerned about the sustainability and environmental impact of PG&E. They may hope that the company can further develop renewable energy sources to reduce its negative impact on the environment.

### **The reason why the stock sink:**

Analyzing the four incidents of stock price decline, firstly, the electricity deregulation event demonstrated that PG&E was unable to effectively adapt to market changes, leading to bankruptcy and subsequent stock price decline. Secondly, the wildfire events resulted in numerous lawsuits and

claims against PG&E, causing investor concerns about the company's financial condition and management capabilities, thus leading to a drop in the stock price. Thirdly, the filing for bankruptcy protection eroded investor confidence and resulted in losses for shareholders, causing another decline in the stock price.

### **Is there any sign before the event occurred?**

- California's electricity deregulation : Prior to the government's announcement of deregulation, some internal management issues within PG&E should have already existed, such as the preparation of backup power. However, the company failed to address them in a timely manner, which resulted in its inability to effectively respond after the policy was implemented.
- Wildfire event : Although the wildfire incidents were associated with PG&E's neglected maintenance of its electrical infrastructure, the occurrence of these wildfires was unpredictable as it is uncertain when a fire will break out.
- Filed for bankruptcy protection : The wildfire incidents that occurred in 2018 led to significant potential liabilities for PG&E, such as lawsuits and claims, which ultimately resulted in the company filing for bankruptcy protection in 2019.

### **What kind of recent world event could affect the performance of the underlying product ?**

- The increasing focus on sustainability
- The development of renewable energy

### **Consequences :**

As the world becomes more conscious of climate change and the need to reduce carbon emissions, there is a growing demand for clean and renewable energy sources. This shift could impact PG&E's traditional reliance on fossil fuels and conventional energy sources, potentially affecting the demand for their products and services.

### **Investment product linked to the worldwide :**

If PG&E's investment product is to be linked to the global economy, renewable energy is a great choice because it is a global trend. This trend will drive the growth of related industries and create investment opportunities, while also impacting the global energy market and the economic performance of related companies.



## **The lessons we learn...**

As an investor, it is important to pay attention to the internal management of a company and stay informed about global development trends. For instance, events like wildfires have a high probability of being avoidable. If a company strengthens its management and ensures proper maintenance of its power infrastructure, it can prevent the occurrence of wildfires.

Regarding global trends, while PG&E relies on traditional power generation, the future trend is towards the development of renewable energy. If a company fails to adapt and keep up with the times, investors may incur losses as the company risks being gradually phased out by the market. In conclusion, investors should gather information from various sources to reduce investment risks and avoid potential losses.

### **Part 4: Make conclusions as a team. (Team)**

Based on the research above, we concludes that...

- Even though utilities are the largest and most stable equity investments available in the stock market, it's still important to evaluate the risks of them from different perspectives, not just considering the overall trends.
- Utility companies should prioritize upgrading and modernizing their infrastructure, including transformers , power lines, and other important equipment. This could involve replacing old equipment, using advanced technologies for monitoring and maintenance, and enhancing the resilience of the power grid. By investing in equipment upgrades, they can mitigate the risk of equipment failures and reduce the likelihood of future incidents caused by faulty equipment.
- It is essential for utility companies to establish firm protocols and practices throughout their operations. For example, regular inspections, maintenance, and repairs of equipment, complying with industry standards and regulations, and implementing comprehensive training programs for their employees. By prioritizing safety, monitoring and improvement continuously, they can minimize the probabilities for accidents, incidents, and disruptions to the power supply.
- Climate change-related risks, such as increased wildfire activity, highlight the importance of environmental awareness. Companies should consider the potential impact of their operations and the risks from natural disasters. Implementing sustainable practices can enhance a company's reputation and contribute to long-term value creation.
- The government policies can have significant influences on certain companies. For PG&E, the consequences of California's electricity deregulation made it left a large amount of debt in the beginning and resulted in the lack of capacity to bear the large loss from unexpected events. Therefore, PG&E have had fragile financial position for several years.