Senate Bill 254 Information and Recommendations

RESPONSE TO EXECUTIVE ORDER N-34-25

January 30, 2026

California Public Utilities Commission

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The California Public Utilities Commission (CPUC) appreciates this opportunity to provide information and recommendations to the Wildfire Fund Administrator for the Senate Bill 254 (Becker, 2025) report.

The CPUC is the State regulator for the private sector companies that provide utility services to the public, such as electricity, natural gas, water, telephone, and transportation services. As relevant here, within State and Constitutional requirements, the CPUC sets the rates that the State's private electric utilities, such as Pacific Gas & Electric (PG&E), Southern California Edison, and San Diego Gas and Electric (SDG&E), may charge their ratepayers. We also set and enforce the safety requirements that the private electric utilities must follow. For electric utilities' wildfire risk and mitigation, we share this responsibility with our sister agency, the Office of Energy Infrastructure Safety (OEIS). Our submission focuses on our areas of expertise.

INTRODUCTION AND RECOMMENDATIONS

Following the devastating wildfires in 2017 and 2018, the State took urgent steps to reduce the incidence and severity of wildfires. Much of the efforts focused on utilities, as utility equipment had ignited several of the most destructive wildfires, including the Camp Fire, and the resulting liability claims triggered PG&E's bankruptcy.

California's efforts have led to critical successes. Due to the State-imposed wildfire mitigation plan process, overseen by OEIS and the CPUC, California's utilities now engage in nation-leading fire risk modeling and mitigation. Per their wildfire mitigation plans, the utilities have implemented billions of dollars of wildfire mitigation. The mitigation has substantially improved the safety of utility equipment and decreased the likelihood that it will ignite a catastrophic wildfire. SB 254 will add important rigor to the cost review of utility wildfire mitigation, which will pay dividends for ratepayers going forward.

But nearly a decade in, and following the January 2025 fires in Southern California, the need for changes to the models and approaches to wildfire mitigation and victim compensation is also clear. Our existing system places outsized and unsustainable burdens on utilities and utility ratepayers to mitigate the risks of wildfires and pay for wildfire damages. If utility equipment ignites a wildfire, the utility is strictly liable under inverse condemnation for all property damages the fire causes and is subject to uncapped tort damages. With all large electric investor-owned utilities now possessing a safety certificate, the legal standard, set out in Public Utilities Code section 451.1, is that the utility may recover those costs from ratepayers unless a party establishes a serious doubt as to the reasonableness of the utility's conduct.

This system treats utilities as if they are solely responsible for damages from catastrophic wildfires and can fully mitigate the risks of those damages through reasonable diligence. But as the Legislature found in SB 254, the increasing severity and destructiveness of fires largely stems from other factors, primarily climate change but also historical land use policies that have placed more people and property in the wildland-urban interface.[1] Other analyses point to further causes, such as the buildup of vegetative fuel.[2]

Utilities alone also cannot fully mitigate the risks of catastrophic wildfire. Utility wildfire mitigation focuses on reducing utility equipment ignitions because that is what utilities can solve. Today, utility ignitions are approximately 6 percent of statewide wildfire ignitions. Utilities undoubtedly have a key role to play in wildfire mitigation and must implement wildfire safety measures to further mitigate utility ignitions. But with nearly 50,000 miles of powerlines managed by utilities in high fire-threat districts alone, it is not realistic or cost-feasible that reasonable utility wildfire mitigation will reduce utility ignitions to zero. And utilities are not well-positioned to address the solutions that could reduce wildfire intensity and destructiveness and help mitigate wildfires from all causes, such as forest management and community and home hardening.

With utilities required to provide electric service to all customers throughout California, unable to reasonably mitigate the risks of catastrophic wildfires, and fully liable for wildfire damages and then passing much of those costs to ratepayers, utilities and ratepayers have been functionally transformed into wildfire insurers with no policy limit. This is unsustainable. The many billions of dollars in potential damages from catastrophic wildfires are infeasible for utilities or ratepayers to absorb. The financial risks have rendered utilities effectively unable to procure liability insurance. The Wildfire Fund and Continuation Fund, which provide pooled liability funds paid for by utility shareholders and ratepayers of the three investor-owned utilities (IOUs), are critical but interim measures. They have not prevented utility credit downgrades, which increase costs for utilities and ratepayers. And they can only exist if the ratepayer charges to fund them extend to 2045.

The liability scheme, and its potential to require utility shareholders or ratepayers to pay billions in liability costs even if the utility acted prudently, also incentivizes outsized wildfire mitigation spending by utilities to attempt to minimize the risk of any fire ignition even at extraordinary cost. Total wildfire mitigation and wildfire liability costs authorized for ratepayer recovery for IOU

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[1] SB 254, Sections 1(a), 1(c).

[2] *See, e.g.*, California Wildfire & Forest Resilience Task Force, California's Wildfire & Forest Resilience Action Plan (January 2021) at 5, California's Wildfire and Forest Resilience Action Plan: Recommendations of the Governor's Forest Management Task Force.

customers between 2019 and 2024 were approximately $40 billion. In 2024 alone, IOU ratepayers paid more than $9 billion in wildfire-related costs. As the Stanford Climate & Energy Police Program California Wildfire 2025 Emerging Trends & Policy Insights Report found, this was more than double CAL FIRE's combined annual budget for both resource management and fire protection, and more than federal land management agencies budgeted for wildfire management nationwide in 2025.[3]

The combined utility wildfire mitigation and liability costs have driven rapid increases in ratepayer electric bills over the past few years, with more increases expected in future years. Electric bill increases have significantly outpaced inflation, contributing to energy affordability. The bill increases harm the value proposition of electricity. The continued utility financial instability jeopardizes infrastructure investments needed to ensure electric grid decarbonization. Each undermines the State's climate and clean energy goals. A continued overemphasis on expensive utility wildfire mitigation is also not the most cost-effective manner to reduce wildfire risk statewide. Unlike other forms of mitigation, such as forest management and community and home hardening, utility wildfire mitigation does nothing for the more than 90% of wildfires not ignited by utility equipment.

Recommendations. Our recommendations flow from these successes and challenges. We recommend:

1. **Reforms to equitably socialize the burdens from wildfires**.

As the Legislature found in SB 254, California requires new models that more broadly socialize wildfire risk in a way that allows for fair and expeditious compensation to wildfire victims, properly holds utilities and other stakeholders to account for safety, and balances the needs to achieve the State goals above. The existing model for wildfire liability is not durable and does not accomplish several critical State goals including providing Californians with affordable energy, maintaining progress toward the State's climate goals, and stabilizing the insurance markets.

A few principles should guide reforms. First, wildfire victims should receive fair recovery for damages. But if costs are recovered from ratepayers or public sources, clear and transparent rules should govern the damages that are properly recoverable, with rigor towards minimizing unnecessary costs that go to actors other than wildfire victims.

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[3] Stanford Climate and Energy Policy Program, California Wildfire 2025: Emerging Trends & Policy Insights (November 2025) at 18, California Wildfire 2025: Emerging Trends & Policy Insights | Climate and Energy Policy Program.

Second, electric ratepayers should not be forced to underwrite wildfire insurance for the state. Electric service is a public good. The State has specified through the wildfire mitigation plan and safety certificate process and the regulations for overhead line construction the minimum steps each utility should take to mitigate the risks that its equipment ignites a catastrophic wildfire. This process accounts for the costs and benefits of utility wildfire mitigation. But if a utility has a safety certificate and complies with all requirements, the utility still pays for wildfire damages and the costs are then transferred to ratepayers unless a party creates a serious doubt as to the reasonableness of the utility's conduct. A more durable and equitable system should account for the State's utility wildfire mitigation approach and should broadly socialize wildfire risk rather than make electric ratepayers underwrite wildfire liability.

Possible options to more fairly and broadly insure for wildfire risk could include one or multiple of the following:

Expand or modify the pool of contributors to a wildfire fund. Maintain a wildfire fund that would exist to pay liabilities for utility-ignited wildfires but diversify funding sources beyond the investor-owned utilities and their ratepayers to reflect the broader pool of actors with a role to play in wildfires. Contributors could include, for example, State-financing through bonds, local governments, publicly-owned utilities, smaller utilities, and insurers. Utilities could still be properly incentivized to account for safety by having, as the Wildfire Fund has today, an initial amount the utility must pay before they can access the fund and escalating requirements to repay the fund if the utility is found to have acted imprudently or in willful disregard of safety.

Modify the standards for utility liability for wildfires. Approaches could include:

a. **Modify the inverse condemnation strict liability standard.** No other Western state applies California's strict liability standard for utility ignitions. Several other states have recently enacted ratepayer-protective wildfire liability standards that apply to utilities operating in compliance with their wildfire mitigation plan.[4] These standards require utilities to take action to mitigate wildfire risk that can align with utility ratepayer recovery—properly incentivizing utilities while not making ratepayers the insurer for all wildfire damages and costs.

[4] *See, e.g.*, Utah Code Ann. § 54-24-303 (requiring negligence and barring a negligence finding if the utility has a wildfire mitigation plan and has completed the work under the plan at the origin of the fire); Wy. Stat. Ann. 37-3-405 (requiring negligence and creating a presumption that an approved wildfire mitigation plan establishes prudence).

b. **Cap or limit utility tort liability.** Several states cap damages that may be obtained from electric utilities either for certain types of damages such as noneconomic losses[5] and punitive damages.[6] These standards hold utilities accountable but limit the consequences to utility financial stability and the corresponding harms to ratepayers from uncapped liability exposure.

Replace the Wildfire Fund with a catastrophic event fund. The ability to recover damages from catastrophic events is unequal. If investor-owned utility equipment ignites a wildfire, the Wildfire Fund provides a recovery pool. But for non-utility ignitions, no similar recovery pool exists. A broader catastrophe fund, either funded and managed by the State, or alternatively initially funded by insurance premiums, could more broadly spread risk and equitably socialize the burdens of climate-fueled catastrophic events. As above, utilities could be properly incentivized to account for safety through escalating requirements they repay the fund if their equipment ignites a wildfire and they are found to have acted imprudently or in willful disregard of safety.

2. Reforms to better allocate responsibility for wildfire mitigation between utilities and other actors.

To successfully mitigate the risk of wildfires, responsibility for wildfire mitigation should be allocated more effectively statewide between utility ratepayers and other actors. The current approach, in which utility wildfire mitigation spending on reducing utility ignitions exceeds the entire budget of CAL FIRE and utility wildfire mitigation has outpaced other critical mitigation like community and home hardening, does not cost-effectively mitigate wildfire risk. To the extent that mitigation in other sectors has not occurred at needed levels due to barriers such as insufficient awareness, insufficient funding and incentives, and permitting challenges, State efforts to address those barriers would create substantial dividends.

Better mitigation would, along with its own substantial benefits in limiting wildfire harms, also lessen total wildfire liability. And lessening total wildfire liability would reduce costs, including the cost of funding infrastructure investments, for electric ratepayers.

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[5] *See, e.g.*, Utah Code Ann. § 54-24-303 (capping noneconomic losses for non-physical injuries and injuries that did not lead to death); Montana HB 490 (limiting noneconomic losses to when the plaintiff suffered bodily injury or death)

[6] *See, e.g.*, Montana HB 490 (requiring a showing of gross negligence or intentional conduct and barring if substantial compliance with the wildfire mitigation plan with respect to the place of ignition); Kan. Stat. Ann § 60-3701 (capping punitive damages at $5 million).

3. **Consider other sources of funding for utility wildfire mitigation.**

To address the negative impacts of utility wildfire mitigation on ratepayers and the State's climate and clean energy goals, the State should consider funding a portion of utility wildfire mitigation from non-ratepayer sources, such as the general fund, Cap-and-Invest proceeds, publicly owned utility customers, or other sources. The existing scheme, which requires utilities to engage in extensive wildfire mitigation and contains penalties if they fail to do so, incentivizes utilities to prioritize safety. The State can design funding approaches such that the obligation remains for utilities to continue investing in wildfire mitigation and that utilities do not profit from any State funding.

4. **Additional statutory changes to the utility wildfire mitigation process are not currently needed.**

The utility wildfire mitigation plan process is sophisticated and has been successful in lowering utilities' risks of starting wildfires. As new possible mitigation measures and technology solutions are identified, utilities and other parties can propose that they be included in plans. If they can be shown to cost-effectively lower wildfire risk, they will be included. And recent legislative amendments will limit utility over-spending on wildfire mitigation efforts that were not approved and funded through their general rate cases or pursuant to Commission-approved undergrounding plans.

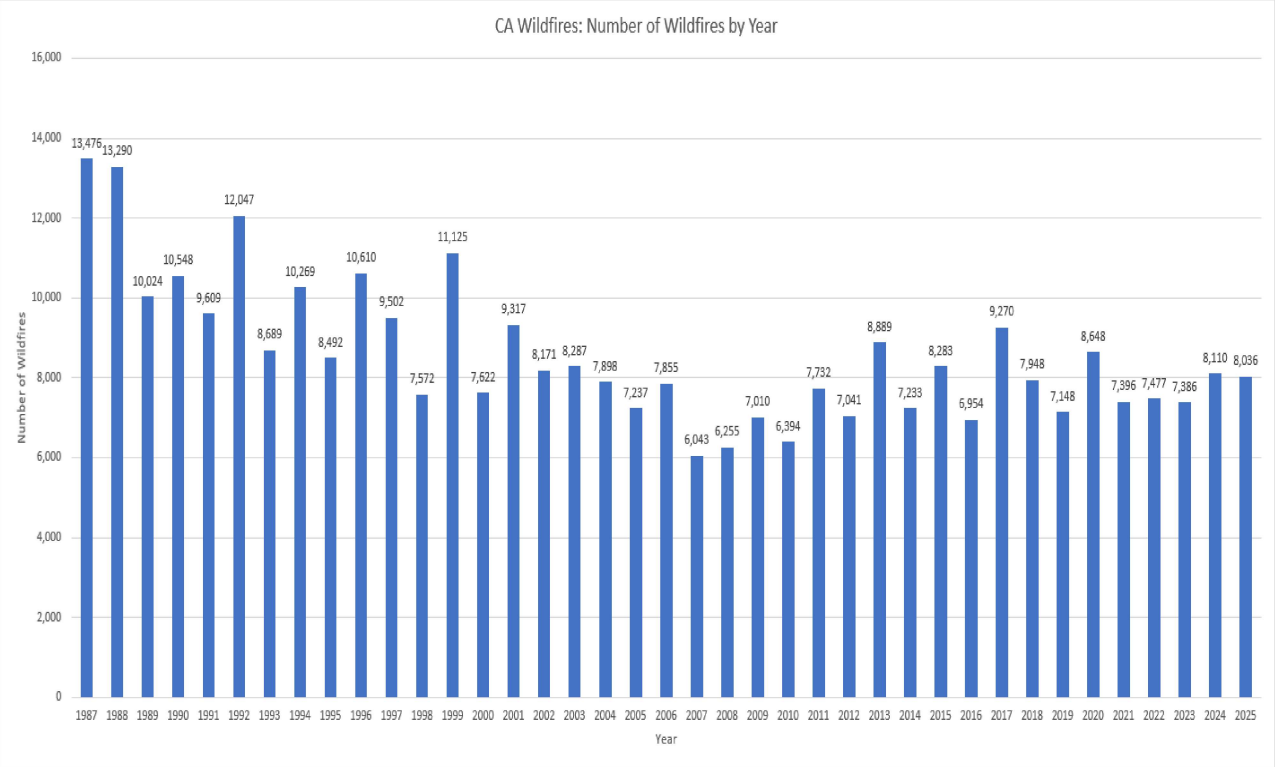
Additional detail supporting these recommendations is contained below.

WILDFIRES AND UTILITY IGNITIONS

1. California's annual wildfires have decreased while its catastrophic wildfires have increased.

a. The average annual number of California wildfires has decreased.

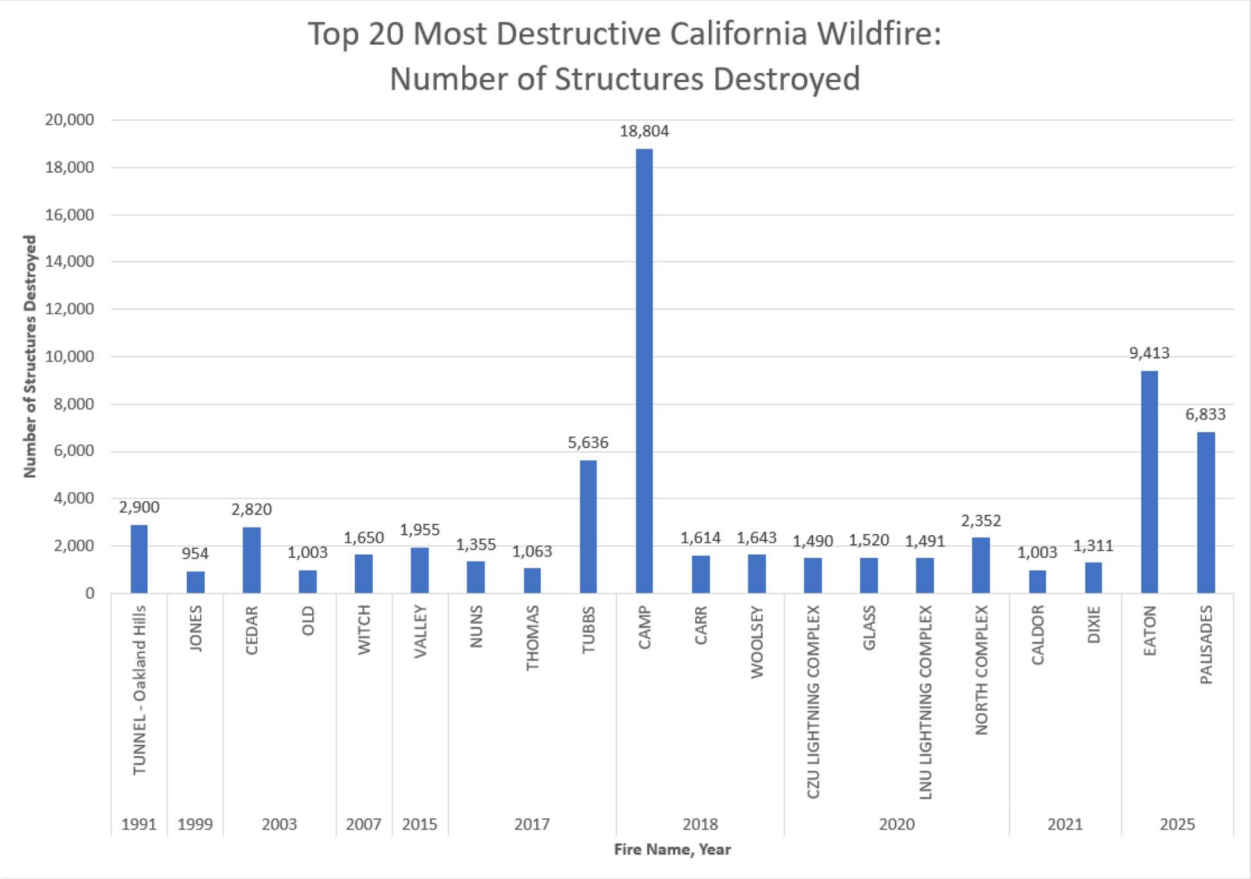
Based on changes in reporting, data on the number of wildfires each year is not always accurately comparable. However, the information that is available indicates that the number of California wildfires has likely decreased in the past 30 years. CAL FIRE publishes Wildfire Activity Statistics dating back to 1987. Per those statistics, wildfire ignitions were higher from 1987-2000 than they have been in the past decade.[7] And even in a major wildfire season like 2017, California had 9,270 wildfires, less than the 1987-1996 annual average.



[7] CAL FIRE, Wildfire Activity Statistics. Note evidence exists that powerline ignitions did not decrease, although that evidence does not appear to show a substantial increase in powerline ignitions. Jon E. Keeley & Alexandra D. Syphard, Historical patterns of wildfire ignition sources in California ecosystems, 27 International Journal of Wildland Fire 781 (2018), 792-793, Historical patterns of wildfire ignition sources in California ecosystems.

b. Catastrophic wildfires have dramatically increased.

Most California wildfires are small and quickly extinguished. But in the past 10 years, California has experienced a substantial increase in catastrophic wildfires that have burned tens of thousands of acres, destroyed numerous structures, and most significantly, caused death and injury. From CAL FIRE's statistics, 15 the 20 most destructive wildfires in California history have occurred since 2015.[8]



These wildfires have had devastating consequences. They have cost lives. They have destroyed entire neighborhoods, strained California's insurance market, and polluted California's air. They emit carbon dioxide, which exacerbates climate change. And, as described below, these wildfires and the current systems for addressing them are driving up energy costs, placing unsustainable burdens on utility customers and conflicting with California's climate and energy goals.

[8] CAL FIRE, Top 20 Most Destructive California Wildfires, top-20-destructive-ca-wildfires.pdf.

2. Catastrophic wildfires have primarily increased because of changes in California's climate, landscape, and development.

The likelihood of a catastrophic wildfire can broadly be divided into two questions:

1. How likely are fires to occur? and
2. How likely are fires, once ignited, to become catastrophic wildfires?

The increase in catastrophic wildfires does not appear to have resulted from an increase in the likelihood of wildfires. As noted above, available evidence indicates wildfires occur less than in past years. Instead, analyses of the increase in catastrophic wildfires primarily identify factors why wildfires, once they occur, are more likely to become catastrophic wildfires.[9] The factors include:

- **Climate change.** California now experiences hotter weather and longer dry seasons. As the Legislative Analyst's Office found, warmer weather and more frequent droughts can lead to drier vegetation and greater numbers of dead or dying trees, all of which are prone to igniting.[10] Dried vegetation and strong winds pose a particular risk of catastrophic wildfires.
- **Increased fuel loads**. Reduction in controlled burns and a history of fire suppression has increased vegetative fuels that increase spread of wildfires.
- **Increased development in fire-prone areas**. More communities have built up wildland-urban interface (WUI). Many of those areas are prone to wildfires. This places more people and structures at risk when wildfires occur and increases the risks of human-caused fire ignitions.

Due to these combined factors, California wildfires appear significantly more likely to spread and become destructive catastrophic wildfires.

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[9] *See, e.g.*, NASA, What's Behind California's Surge of Large Forest Fires (Oct. 4, 2021), What's Behind California's Surge of Large Fires? - NASA Science; Penn State Institute of Energy and the Environment, California's wildfire crisis: Expert insights on causes, spread, and solutions (Jan. 15, 2025), California's wildfire crisis: Expert insights on causes, spread, and solutions | Institute of Energy and the Environment.

[10] Legislative Analyst's Office, Frequently Asked Questions About Wildfires in California (Feb. 13, 2025), Frequently Asked Questions About Wildfires in California.

3. Electric utility equipment ignitions are a material but minority percentage of California's wildfires and catastrophic wildfires.

Electric utilities have many thousands of miles of distribution and transmission lines and other equipment in high fire-threat districts. This equipment can start wildfires in severe weather conditions and due to equipment failures. From 2011-2020, electric utility powerlines ignited approximately 9% of California's yearly wildfires and 36% of California's most destructive wildfires.[11]

a. Electric utilities must serve customers everywhere in California and need powerlines to do so.

California's electric utilities must by law provide electric service to anyone who requests it within their service territories.[12] The IOUs' service territories are large and contain substantial remote areas. PG&E's service territory is approximately 70,000 square miles, about the size of North Dakota. Southern California Edison's service territory is approximately 50,000 square miles, about the size of Mississippi.[13]

Electric utilities extend electric service to customers using powerlines. To provide adequate electric service within their service territories, California's electric utilities therefore have thousands of miles of high-voltage transmission lines and lower-voltage distribution lines.

b. Nearly 50,000 miles of electric utility powerlines are in high fire-threat districts.

The CPUC, in coordination with CAL FIRE, has created a high fire-threat district map to identify the areas at increased risk for utility-associated wildfires. The investor-owned electric utility service territories include over 55,000 square miles in high fire-threat districts.

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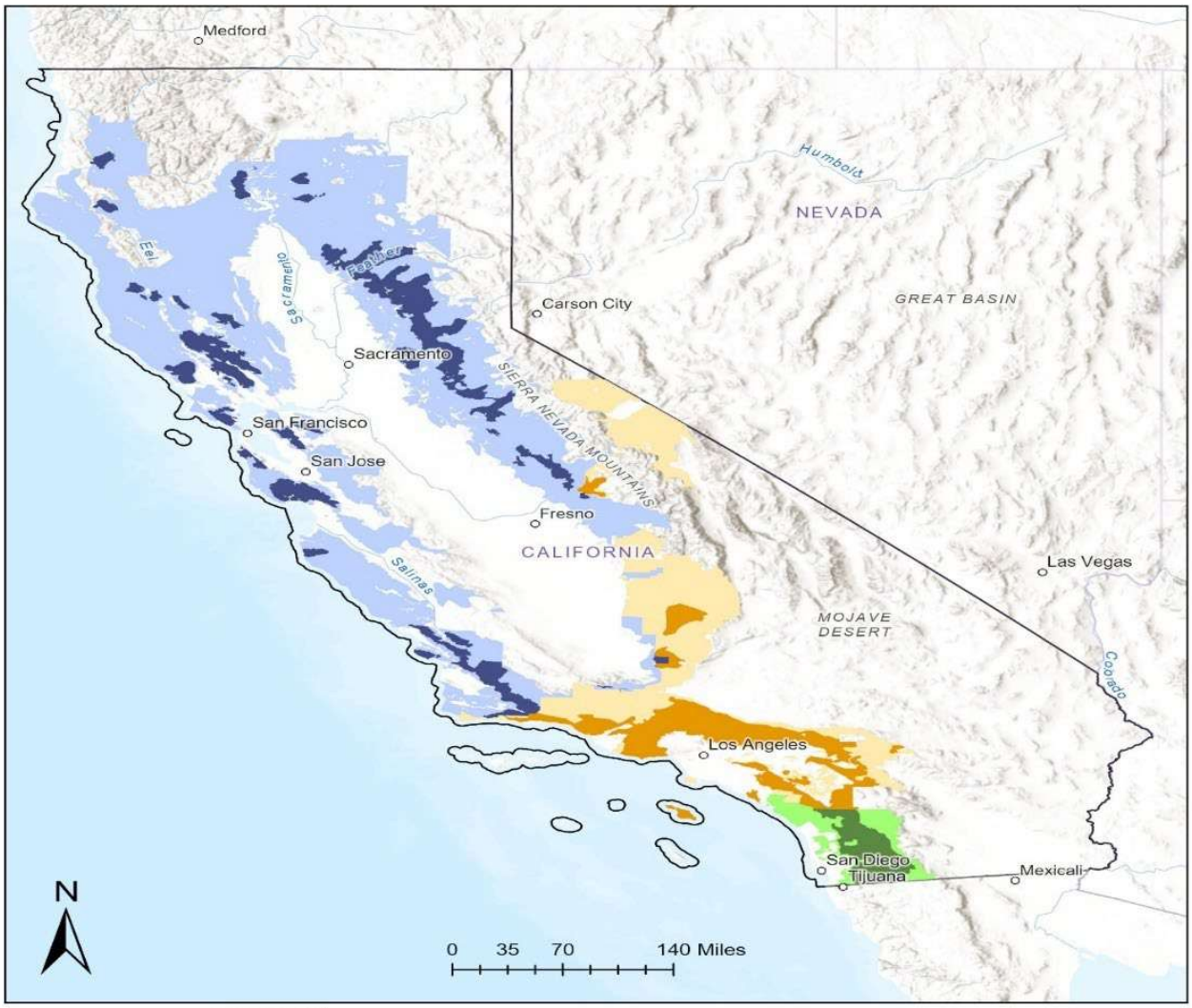
[11] Using data from CAL FIRE Wildfire Activity Statistics for 2011-2020 and analysis of Top 20 Most Destructive Wildfires.

[12] Pub. Util. Code § 451.

[13] By comparison, the publicly-owned utilities in California are smaller and typically serve a single city or county in an urban area. For example, the Los Angeles Department of Water and Power's service territory is approximately 478 square miles and mostly limited to the City of Los Angeles. The Sacramento Municipal Utility District's service territory is 900 square miles and mostly limited to Sacramento County.

CPUC High Fire Threat District Area by Large IOU



Sq. Miles	PGE	SCE	SDGE
Total Service Area	238617.03	130569.58	14436.05
Tier 2	31909.88	9543.79	1395.80
Tier 3	6141.03	4661.82	1426.46
% Tier 2	13.4%	7.3%	9.7%
% Tier 3	2.6%	3.6%	9.9%

As a result, the investor-owned electric utilities must provide service to numerous customers where fire danger is highest. To do so, they cumulatively have nearly 50,000 miles of transmission and distribution lines in high fire-threat districts.

Types of powerline miles by IOU[14]	Systemwide	High fire-threat district
PG&E overheard distribution line miles	79,766	24,525
PG&E overheard transmission line miles	17,852	5,422
SCE overhead distribution line miles	37,818	9,342
SCE overheard transmission lines	12,735	4,417
SDG&E overheard distribution lines miles	6,393	3,434
SDG&E overhead transmission lines miles	1,815	944
Total IOU overhead line miles	156,379	48,084

c. Before recent wildfire mitigation, utility powerlines started approximately 9% of California wildfires.

Electric utility transmission and distribution lines can start wildfires in several ways, including:

- **Equipment failures** in which a device malfunctions or breaks and creates an electric arc or spark.
- **Downed wires** in which the powerlines fall, remain energized, and spark surrounding vegetation. The wires may fall due to high winds, being struck by a tree or other vegetation, or other causes such as improper maintenance.
- **Vegetation or other contact** in which vegetation, an animal, or another object such as a vehicle, contacts an intact powerline and creates a spark.
- A **conductor slap** in which a powerline contacts another powerline and creates high-energy arcing and can eject metal particles capable of sparking ground vegetation.

From 2011-2020, electric utility equipment caused approximately 9% of wildfires each year in California.[15] That percentage has decreased in recent years with utility wildfire mitigation. The remaining 90+% of wildfires are ignited by other causes, such as lightning, other machinery, campfires, arson, and vehicle-related fires. For example, the Carr Fire, which burned 229,651 acres and destroyed 1,614 structures, appears to have started when travel trailer's flat tire scraped against the ground and ignited grass on the side of the highway.[16]

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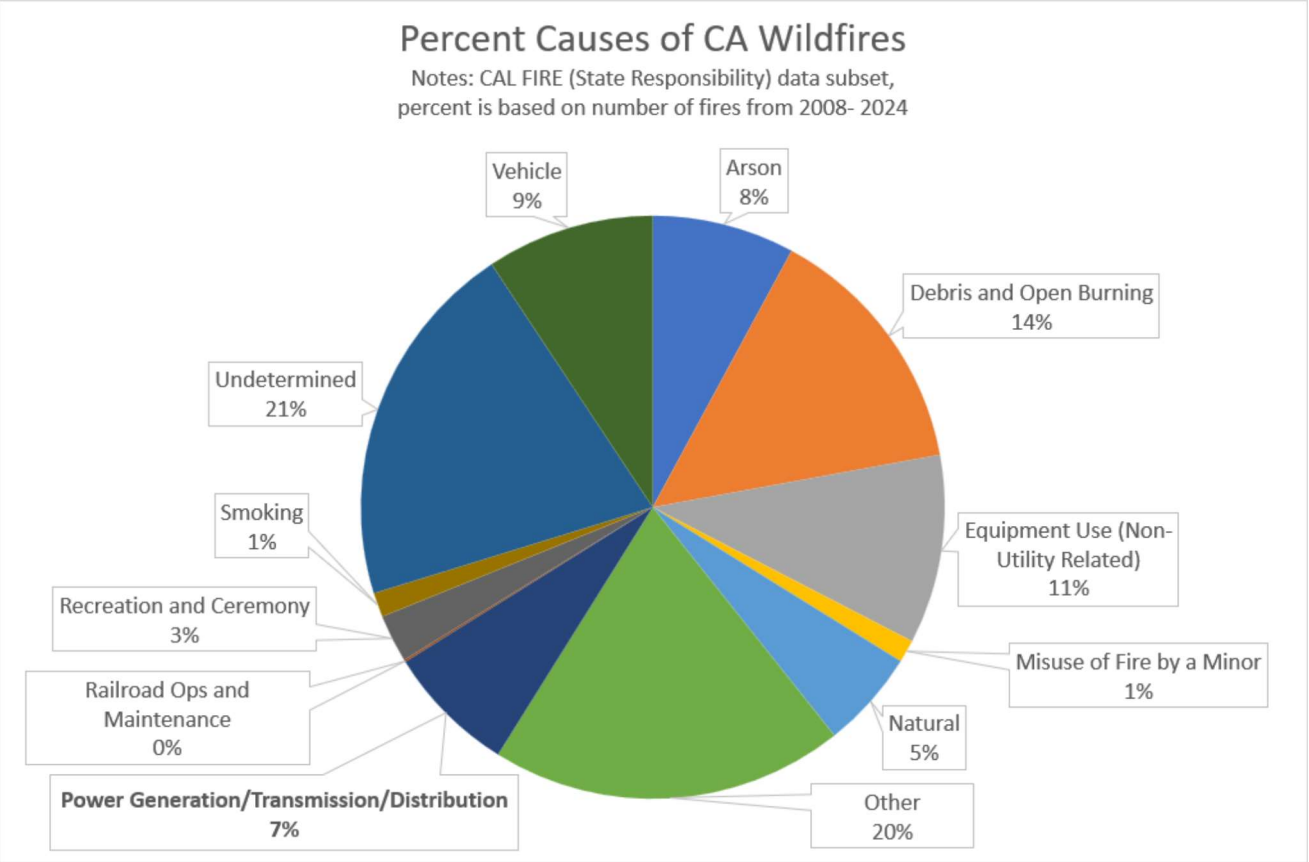
[14] Using IOU reported data in their 2026-2028 Wildfire Mitigation Plan submissions.

[15] Using CAL FIRE Wildfire Activity Statistics, percent of fires by cause, for each year from 2011-2020.

[16] CAL FIRE, Incidents: Carr Fire, Carr Fire | CAL FIRE; USDA Forest Service, Carr Fire Wildland Fire Origin and Cause Supplemental Incident Report.



d. Utility powerlines start approximately 30% of California catastrophic wildfires.

CAL FIRE lists powerlines as the ignition cause of 5 of the 20 most destructive California wildfires, or 25% of catastrophic wildfires.[17] Of the 20 most destructive California wildfires, 11 occurred from 2011-2020. Powerlines ignited 4 of those 11 catastrophic wildfires, or approximately 36%. In other words, although powerline ignitions are disproportionately likely to start catastrophic fires, they remain the ignition source of less than half of the most destructive wildfires.

4. California utilities are uniquely liable for wildfire damage regardless of negligence.

The California Constitution, Article 1, Section 19 requires a public entity to pay property owners just compensation when the public entity takes or damages their property for public use.[18] This

[17] Cal Fire, Top 20 Most Destructive California Wildfires, top-20-destructive-ca-wildfires.pdf. Note that the Eaton Fire cause remains under investigation and so is not included.

[18] Cal. Const. Art. 1, § 19.

provision applies to eminent domain actions by requiring public entities to pay property owners compensation when the public entity condemns and acquires private property.

Under the "inverse condemnation" doctrine, California courts have interpreted Article 1, Section 19, to also require a public entity to pay for damages to private property substantially caused by an inherent risk presented by the deliberate design, construction, or maintenance of the public improvement, even if the public entity had no intent to take or damage the private property.[19] And California appellate courts have interpreted the inverse condemnation doctrine to apply to circumstances in which private electric utilities' powerlines ignite a fire.[20]

As a result, in California, an electric utility such as PG&E and Southern California Edison can be liable for damages caused by a wildfire started by that utility's equipment even if the utility acted reasonably. The utility is further potentially liable for uncapped non-economic damages (such as pain and suffering) if the utility was negligent or worse. This system is unique to California. No other Western state has a system under which private utilities are held liable for damages from a utility-sparked wildfire unless the utility was at least negligent. And several other Western states have further limited wildfire liability exposure for utilities by capping damages or precluding negligence findings when the utility is compliant with its wildfire mitigation plan.

An overview of Western state liability standards is included at Appendix A.

HOW WILDFIRES AND WILDFIRE LIABILITY ARE ADDRESSED TODAY

The Camp Fire started after a metal hook on a PG&E transmission line broke, causing the energized powerline the hook held to fall and arc against the steel transmission tower, causing aluminum and steel to melt and fall and ignite the surrounding brush. The Camp Fire ultimately destroyed more than 18,000 structure and killed 85 people. The Camp Fire was one of multiple major fires in 2017 and 2018. Several of those fires were started by powerlines or utility electrical

[19] *See, e.g.*, *City of Oroville v. Superior Court*, 7 Cal.5th 1091, 1105 (Cal. 2019). Damages under inverse condemnation claims are limited to property damages. *See, e.g.*, *Pacific Bell v. City of San Diego*, 81 Cal. App. 4th 596, 603 (Cal. Ct. App. 2000).

[20] *Barnham v. Southern Cal. Edison Co.*, 74 Cal. App. 4th 744 (Cal. Ct. App. 1999); *Simple Avo Paradise Ranch, LLC v. Southern California Edison Co.*, 102 Cal. App. 5th 281 (Cal. Ct. App. 2024).

equipment, including the Thomas Fire, the Nuns Fire, and the Woolsey Fire.[21] The liability from the Camp Fire and other 2017 fires triggered PG&E's January 2019 bankruptcy.

Following the 2017 and 2018 fires, the State took numerous steps to reduce the incidence and severity of wildfires in California. Today's system largely stems from those efforts. Given the role of utility equipment in igniting the Camp Fire and several other catastrophic wildfires and PG&E's bankruptcy, much of the State's response appropriately focused on electric utilities.

As relates to the CPUC's work, the main elements of California's current approach to addressing wildfires and wildfire liability are laid out below. These elements primarily stem from Senate Bill 901 (Dodd 2018), Assembly Bill 111 (Budget 2019), Assembly Bill 1054 (Holden 2019), and accompanying bills. Senate Bill 254 (Becker 2025) further amended wildfire safety plan submission and cost recovery processes effective September 19, 2025.

1. **Office of Energy Infrastructure Safety.**

The State created the Office of Energy Infrastructure Safety (OEIS), a new State agency whose focus is to ensure electric utilities act to reduce utility-related wildfire risk.

2. **Comprehensive wildfire mitigation plan process.**

California electric utilities and related entities like transmission line owners must prepare and submit comprehensive wildfire mitigation plans to OEIS for review and approval on a three-year cycle, transitioning to a four-year cycle following SB 254. The wildfire mitigation plans must set out the steps the utility will employ to construct, maintain, and operate its electrical lines and equipment in a manner that will minimize the risk of catastrophic wildfires.[22] The plans must address numerous key elements, such as:

- A list of the wildfire risks and drivers for those risks throughout the utility's service territory.
- The preventive strategies and programs the utility will adopt to minimize the risk its electrical lines and equipment cause catastrophic wildfires.
- A description of the actions the utility will take to ensure its system will achieve the highest level of safety, reliability, and resiliency.

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[21] CAL FIRE, Incidents: Thomas Fire, Thomas Fire | CAL FIRE; CPUC Safety and Enforcement Division, Nuns Fire Incident Investigation Report, Microsoft Word - E20171016-01 Nuns FINAL.docx; CPUC Safety and Enforcement Division, Investigation Report of the Woolsey Fire, Microsoft Word - SED Investigation Report - Woolsey Fire - SCE Redactions.docx.

[22] Pub. Util. Code § 8386.

Once the plans are approved, the electric utilities must comply with them or face penalties if they fail to do so.[23] To ensure that the electric utilities had funds necessary to implement the plans, prior to SB 254, each electric utility was statutorily allowed to track their implementation costs and seek later recovery from ratepayers for costs exceeding revenues the utility was authorized to recover from ratepayers for wildfire safety in the utility's general rate case.[24]

3. **Safety culture assessment.**

Through SB 901 (Dodd, 2018) and SB 254 (Becker, 2025), the CPUC requires each electric utility to obtain regular safety culture assessments from an independent third-party evaluator, and OEIS regularly performs wildfire-focused safety culture assessments.[25]

4. **Electric utility safety certificate.**

The State created a safety certificate that electric utilities may obtain from OEIS if the electric utility meets additional safety requirements, including that they have an approved wildfire mitigation plan, agree to implement the recommendations of the most recent safety culture assessment, establish a safety committee of the utility's board of directors composed of members with relevant safety experience, and establish an executive incentive structure structured to promote safety a as priority that is approved by OEIS.[26]

5. **CPUC General Order No. 95.**

In CPUC General Order No. 95, the CPUC sets out requirements for overhead powerline design, construction, and maintenance to ensure safety. These rules address, for example, the maintenance programs for powerlines electrical utilities must follow to ensure the lines are in good condition, minimum clearance for lines, and strength requirements for lines. Utilities are subject to penalties and enforcement for violations.

6. **Public Resources Code requirements.**

The Public Resources Code contains pole and line clearance requirements for electric utility equipment in mountainous, forest-covered, brush-covered, or grass-covered land shall. Section

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[23] Pub. Util. Code § 8386.1.

[24] Pub. Util. Code § 8386.4 (prior to SB 254 (Becker, 2025)). As described below, SB 254 modifies the cost recovery standard going forward to subject proposed utility wildfire mitigation rate recovery to the coordinated cost review of other utility spending.

[25] Pub. Util. Code § 8386.2.

[26] Pub. Util. Code § 8389.

4292 requires that electric utilities, during the times and in the areas determined necessary by the agency director with primary responsibility for fire protection of such areas, maintain a firebreak of at least 10 feet in each direction from poles or towers which support a switch, fuse, transformer, lightning arrester, line junction, or dead end or corner pole. Section 4293 contains similar requirements for clearance from powerlines.

7. Wildfire Fund and modified standard for ratepayer recovery.

Electric utilities remain potentially liable under inverse condemnation for all property damages from a wildfire ignited by their equipment even if there is no showing of negligence. But, to address the credit risks that wildfire liability poses to utilities and the corresponding harm to ratepayers, the State made two changes.

a. The Wildfire Fund.

In Assembly Bill 1054 (Holden, 2019), the State created the Wildfire Fund, with ratepayers and investors of PG&E, Southern California Edison, and SDGE each contributing $10.5 billion to create a $22+ billion liability pool that reimburses those utilities from third-party damages for wildfires. After the January 2025 wildfires and the scale of damages from those wildfires created uncertainty as to the adequacy of the existing Wildfire Fund to cover damages and protect against utility bankruptcy risks,[27] the State in Senate Bill 254 (Becker, 2025) added the Continuation Fund, in which ratepayers and investors each contributed another $9 billion to create an additional $18+ billion liability pool.

b. Modified standard for utility rate recovery of wildfire liabilities.

In Senate Bill 901 (Dodd, 2018) and Assembly Bill 1054 (Holden, 2019), the State modified the considerations relevant to determining if the CPUC must allow a utility to recover from ratepayers the utility's costs and expenses from a wildfire started by the utility's equipment, including costs to resolve claims against the utility related to the wildfire. Under Public Utilities Code section 451.1, a utility may recover its costs and expenses from a wildfire[28] from ratepayers if the utility's conduct related to the ignition was reasonable, meaning consistent with actions a reasonable utility would have undertaken in good faith under similar circumstances. If the utility had a safety certificate from OEIS at the time of the ignition, section 451.1 requires the CPUC to find the utility's conduct reasonable unless another party creates a serious doubt as to the reasonableness of the utility's

[27] SB 254 (Becker, 2025), Section 1.

[28] Section 451.1 only applies to wildfires ignited on or after July 12, 2019. Pub. Util. Code §§ 451.1(a)(1), 1701.8,

conduct. In addition, in determining ratepayer recovery, the CPUC may consider factors within and beyond the utility's control that may have exacerbated costs, including humidity, temperature, and winds.

All California investor-owned utilities have continuously maintained a valid safety certificate since July 2019. As a result, the default presumption in a utility-sparked wildfire today is that the utility will be entitled to recover all costs and expenses from the fire, including payment of litigation claims, from ratepayers.

SUCCESSES OF CURRENT WILDFIRE SYSTEM

Before addressing remaining issues with today's system and recommendations to address those issues, we highlight where today's system has worked and is working effectively. That too should guide possible recommendations.

As laid out below, the current California utility wildfire mitigation plan process is comprehensive and sophisticated. It is a model for other states. All of California's large investor-owned electric utilities now have approved wildfire mitigation plans and safety certificates. Per those wildfire mitigation plans and a renewed required focus on safety, California's utilities have made substantial and critical improvements in mitigating the risk that their equipment sparks wildfires. Finally, the State has recently made several important updates to processes for approving wildfire mitigation plan costs that should help impose better cost-effectiveness standards on utility wildfire mitigation spending and achieve alignment between actual utility spend and the forecast budgets approved in their general rate cases.

1. **The wildfire mitigation plan process is comprehensive and sophisticated.**

The current utility wildfire mitigation plan process is robust and effective. The investor-owned utilities each submit multi-hundred-page plans that comprehensively address the wildfire risks faced by the utility, the risk drivers, mitigations that the utility will implement to address those risks and risk drivers, and the performance metrics that should be employed to evaluate the effectiveness of the utility's mitigation plan. Stakeholders can comment on any aspect of the proposed plans. OEIS and the CPUC both closely scrutinize the plans before OEIS approves the plan and the CPUC approves collection from ratepayers of the spending needed to implement it.

New ideas for mitigation measures and technology solutions, including ideas mentioned in SB 254 stakeholder submissions such as early fault detection technology, continuous monitoring, and real-time sensors, have been and can be presented in the wildfire mitigation plan process. California's utility wildfire mitigation efforts are at the forefront nationally and internationally. The State is

frequently consulted as other states who now confront their own fire risks implement a utility wildfire mitigation plan process.

2. **Utility wildfire mitigation has materially decreased the risk that utility electrical equipment will ignite catastrophic wildfires.**

Each of the investor-owned utilities has now had an approved wildfire mitigation plan and safety certificate for several years. Per their approved wildfire mitigation plans, the electric utilities have engaged in substantial wildfire mitigation efforts, primarily focused on reducing the risk that utility powerlines start a catastrophic wildfire. These efforts have generally included:

- Undergrounding powerlines effectively eliminates the risk that the undergrounded powerline portion will start a wildfire but on average costs millions per mile and so must be thoughtfully used.
- Covered conductors that cover the line with insulating material reduce the ignition risks during contacts with vegetation or other conductors and are cheaper and faster to install than undergrounding.
- Vegetation management manages and removes vegetation around powerlines to reduce risks that vegetation falls on or strikes the lines.
- Monitoring devices, like weather stations, HD cameras, and other devices forecast wildfire risk, detect faults, open protective devices, and detect fires early.
- Better inspections and asset maintenance and replacement monitor and replace equipment as needed and mitigate the risk of equipment failure.
- Public Safety Power Shutoffs temporarily turn off power during extreme weather conditions that pose a high risk of wildfires.
- Improved risk modeling helps determine what mitigations to target where.

For example, as part of the August 19, 2025 Interagency Public Briefing on Safety Culture and Public Safety Power Shutoffs:

- PG&E reported that it has underground 945 miles of distribution lines, completed system upgrades such as covered conductors for an additional 1,557 miles of distribution lines, employed enhanced powerline safety settings on approximately 47,000 line miles, employed high-definition cameras throughout most high first risk areas, installed more than 1,000 weather stations, and performed vegetation management for over 30,000 line miles, among

other actions.[29] In December 2025, PG&E updated it had completed 1,000 miles of undergrounded distribution lines.

- Southern California Edison reported it has installed covered conductors on more than 6,000 miles of lines, has underground 48 miles of lines, has installed nearly 2,000 weather stations, has installed hundreds of cameras, and has engaged in millions of trims and tree removals in high fire threat areas, among other actions.[30]

- SDGE reported it has underground 300 miles of lines, placed covered conductors on an additional 180 miles of lines, and conducted enhanced vegetation management on nearly 70,000 trees, among other actions.[31]

The wildfire mitigation plan process and implementation, in coordination with other actions such as the safety certificates, has rapidly improved utility wildfire mitigation planning and materially reduced the risk that California's electric utilities start a catastrophic wildfire. While yearly statistics are highly influenced by weather and so are imperfect, the percentage of annual ignitions from powerlines has decreased in recent years. From 2012-2021, approximately 9% of annual wildfire ignitions were from powerlines and electrical equipment. From 2022-2024, approximately 6% of annual wildfire ignitions were from powerlines and electrical equipment.[32] As utility wildfire mitigation risk modeling and mitigation continues, the likelihood of potentially catastrophic utility ignitions should further decrease.

3. SB 254 will improve utility wildfire mitigation cost-effectiveness.

In the CPUC's February 2025 Response to Executive Order N-5-24, the CPUC highlighted that the existing wildfire mitigation process, although effective in reducing wildfire risk, was not subject to the coordinated cost review of other utility spending. In short, under then-existing law, OEIS reviewed and approved utility wildfire mitigation plans every three years. In determining whether to approve wildfire mitigation plans, OEIS focuses solely on the safety considerations and does not

[29] PG&E, California Public Utilities Commission Annual Public Safety and Public Safety Power Shutoff Briefing (Aug. 19, 2025), pge_cpuc-safety-psps-briefing_081925.pdf.

[30] Southern California Edison, CPUC/Energy Safety Public Meeting on Safety (Aug. 19, 2025), PowerPoint Presentation.

[31] SDGE, Annual Safety Culture & PSPS Briefing (Aug. 19, 2025), PowerPoint Presentation.

[32] Using data from CAL FIRE Wildfire Activity Statistics for each year from 2012-2021 and from 2022-2024.

consider costs. The CPUC separately determines the reasonableness of the utility's costs for wildfire mitigation plan implementation.

Under the system put in place in 2018 and 2019, the utility could submit requests to recover all wildfire mitigation costs exceeding wildfire safety costs authorized in the CPUC's general rate case (GRC) process, separating review of these "incremental" costs from the normal GRC process where the CPUC and stakeholders address the utility's overall spending. These after-the-fact reasonableness reviews often occurred years after the utility spent the money to complete work it deemed necessary to achieve compliance with its approved plan rather than on a forecast ratemaking basis within the general rate case (GRC) process like most other utility spending. The multiple cost recovery requests created challenges to manage the utility's total wildfire mitigation costs each year, and the timing meant that the CPUC and stakeholders were often unable to address cost-effectiveness before the work was completed. In short, the construct hindered the CPUC's opportunities to regulate the utilities to choose the most cost-effective mitigations among the mitigations included in an approved plan.

SB 254's modifications to the construct will effectively address this issue. The law changes the timing of wildfire mitigation plans to align with the utility's GRC and requires the utilities to address, and the CPUC to evaluate, the forecasted costs of the proposed wildfire mitigation plan before the wildfire mitigation plan is finalized. Going forward, the CPUC will better be able to analyze the utility's proposed wildfire mitigation approach and only approve mitigation that is cost effective and that has been weighed against all the other costs in the utility's GRC. If the CPUC's GRC decision determines that some proposed mitigation approaches are not appropriately recoverable from ratepayers, the utility can amend its plan before final OEIS approval. If the utility still over-spends on wildfire safety compared to its GRC budget, it can request cost recovery but must explain why the costs were unforeseen. And safety should remain uncompromised because OEIS will continue to evaluate all plans purely through its safety lens and only approve plans that meet the requirements.

CONCERNS WITH CURRENT WILDFIRE SYSTEM

1. **Utility wildfire expenses are imposing large and increasing costs on ratepayers.**

Utility spending just on wildfires is now a material portion of ratepayers' monthly electric bills. A utility's revenue requirement is the amount the utility is authorized to collect from customers to provide service. In 2024, for the three IOUs, about 27% of PG&E's total revenue requirement was wildfire related, and about

17 percent of Southern California Edison's and SDG&E's total revenue requirement was wildfire related.[33] As explained below, the wildfire related expenses include costs for wildfire liabilities and wildfire mitigation. These costs are ongoing and likely to increase in future years.

a. Wildfire liabilities are a large and ongoing cost on utilities and ratepayers.

As explained above, California utilities are uniquely liable for wildfires even absent negligence. The default presumption is that utilities can recover these costs from ratepayers. This wildfire liability regime places large ongoing costs on utilities and ratepayers. The costs on utilities and/or ratepayers include (1) the utilities' costs to obtain wildfire insurance, which covers the first $1 billion in wildfire claims each year; (2) the costs of the Wildfire Fund and Continuation Fund, which covers wildfire claims beyond $1 billion; and (3) liabilities from wildfires not covered by the Wildfire Fund.

Wildfire liability costs are already a material portion of ratepayers' monthly bills. As of year-end 2024, wildfire liability costs were approximately $10 of the average monthly residential non-CARE customer bill for bundled PG&E, Southern California Edison, and SDGE customers.[34] Said differently, as of year-end 2024, for an average residential non-CARE customer, 4.7-6.5% of their monthly bill was purely to pay wildfire liability. These are costs wholly additional to the utility's ongoing costs to provide electricity.

	Average Total Monthly Bill	Portion Funding Wildfire Liability	Percentage for Wildfire- Liability
PG&E	$212	$10	4.7%
SCE	$159	$10	6.3%
SDG&E	$153	$10	6.5%

Portion of Average Monthly Bill, Bunded Residential Non-CARE Customers (Year-End 2024) from Wildfire Liabilities

This $10 per month does not include utilities' increased borrowing and equity costs, which further increases costs to ratepayers. Private utilities like PG&E, Southern California Edison, and SDG&E finance their costs to build and upgrade their infrastructure, such as distribution and transmission

[33] CPUC 2025 Senate Bill 695 Report at 2, 2025 Senate Bill 695 Report.

[34] CPUC 2025 Senate Bill 695 Report at 38, 2025 Senate Bill 695 Report.

lines, using a combination of debt and equity. Ratepayers ultimately pay the utility's costs to obtain debt and attract equity, because they are part of the cost of doing business to serve customers.

Liability exposure to wildfires threatens California utilities' financial health. This in turn has increased utility debt and equity costs. For example, PG&E's credit rating is below investment grade following its bankruptcy and continued possible wildfire liability. As a result, PG&E has higher short-term borrowing costs. Ratepayers pay those costs.[35]

Absent changes, ratepayers will continue to bear significant costs for wildfire liabilities. Ratepayer charges to support the Wildfire Fund extend through 2035. The Wildfire Continuation Fund ratepayer charges, if approved, will be placed on ratepayer bills from 2036 through 2045.[36] And the $10 approximation does not include for Southern California Edison ratepayers costs from the Thomas Fire, which were incorporated into rates beginning in 2025 and will extend in part for the next 20 years, or the Woolsey Fire, which have not yet been incorporated into rates.

Given California's climate and winds and the miles of lines at issue, utility wildfire mitigation will not feasibly reduce utility-ignited wildfires to zero. With existing costs proposed to extend to 2045, costs from these future fires or to further capitalize the Wildfire Fund will increase utility and ratepayer costs.

b. Wildfire mitigation is a large and ongoing cost on utilities and ratepayers.

In part driven by today's strict liability scheme and the need to minimize utility ignitions or face tens of billions in liabilities, utilities have spent billions of dollars per year since 2019 to mitigate the risk that their equipment sparks a catastrophic wildfire. The wildfire mitigation proposed by the investor-owned utilities, such as vegetation management, undergrounding distribution lines, and installing covered conductors and weather stations and cameras, has been critical to reduction in utility equipment-sparked wildfire risk. But it is expensive and adds to the utility's traditional costs of procuring and delivering electricity.

Wildfire mitigation costs are already a substantial portion of monthly bills. From 2019-2024, PG&E, Southern California Edison, and SDG&E together collected $14.2 billion from ratepayers

[35] CPUC Decision (D.) 25-12-043.

[36] Pub. Util. Code § 3299.2.

in wildfire mitigation costs.[37] As of year-end 2024, almost 15% of an average PG&E non-CARE residential customers' monthly bill was just wildfire mitigation costs.[38]

	Average Total Monthly Bill	Portion Funding Wildfire Mitigation	Percentage for Wildfire-Mitigation
PG&E	$212	$31	15%
SCE	$159	$17	11%
SDG&E	$153	$11	7%

Portion of Average Monthly Bill, Bunded Residential Non-CARE Customers (Year-End 2024) from Wildfire Mitigation

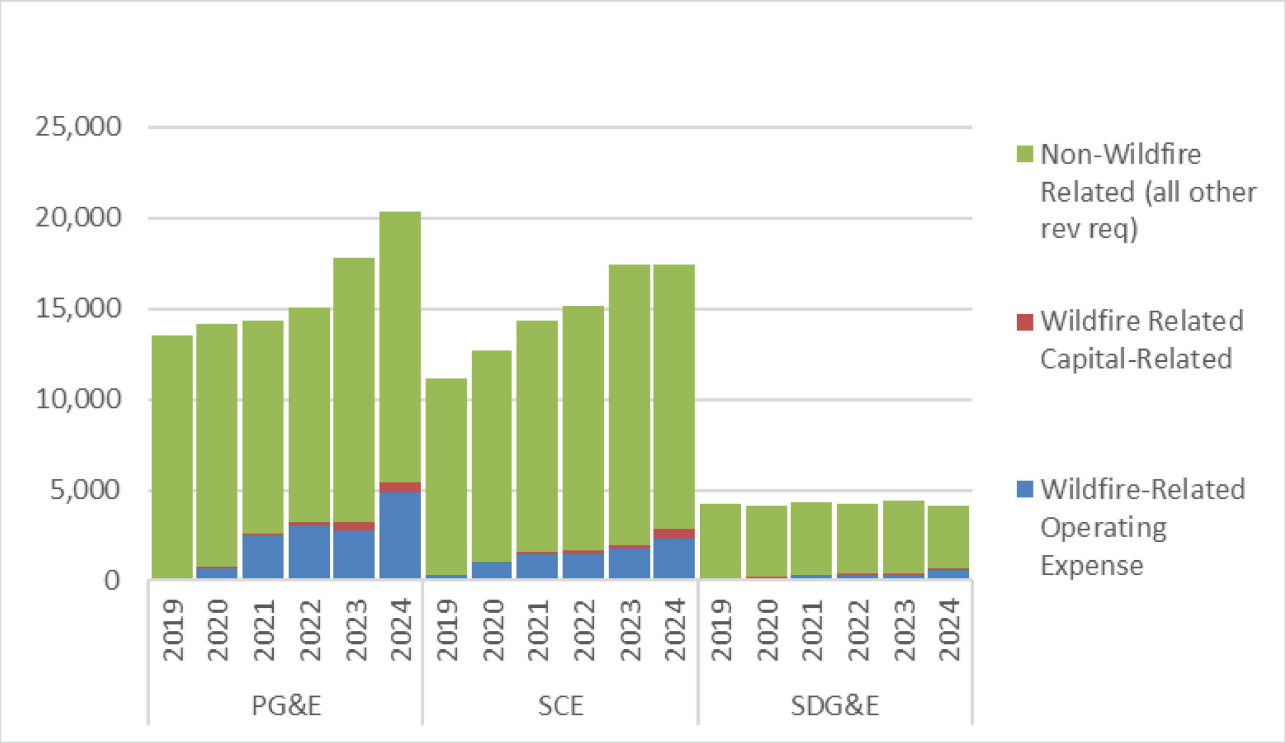
Absent changes, wildfire mitigation costs are likely to increase. Wildfire mitigation costs should be expected to increase in coming years. Most ratepayer costs paid to date have been operating expenses, primarily vegetation management, that are collected from ratepayers during roughly the time frame the expenses are incurred. These costs may decrease slightly in coming years as the utilities have caught up on outstanding vegetation management and learned lessons on what works and as the CPUC has caught up on multiple applications to collect outstanding vegetation management costs. But they will remain a significant ongoing expense as utilities must conduct routine vegetation management of overhead distribution lines on an ongoing basis.

Further additional significant wildfire mitigation costs are likely to come into rates resulting from approved and future capital-related expenses, such as money spent undergrounding powerlines, installing covered conductors and cameras and sensors, and building weather stations. These costs are generally collected from ratepayers after the work is completed, e.g., after a line is undergrounded. And they are collected over many years, with only a small amount—depreciation plus a rate of return—collected each year. As shown below, capital-related expenses for wildfire mitigation are just beginning to enter rates as initial work has been completed.

[37] CPUC 2025 Senate Bill 695 Report at 30, 2025 Senate Bill 695 Report.

[38] CPUC 2025 Senate Bill 695 Report at 38, 2025 Senate Bill 695 Report.

Wildfire-Related Revenue Requirement
Relative to Total Revenue Requirement (Year-End, $ millions)



These costs will be in rates for decades to come. And the utilities' 2026-2028 wildfire mitigation plans and public statements confirm that the utilities believe substantially more capital-related expenses are needed to continue to mitigate the risk of utility-sparked wildfires. The utilities propose collectively undergrounding thousands more miles of distribution lines along with substantial additional capital investments in covered conductors, new technologies, and more.

Focusing on undergrounding costs alone is illustrative. Undergrounding costs are hard to estimate and can vary dramatically based on topography and other factors. But based on filings with the CPUC and CPUC decisions, the CPUC estimates a current approximate $2.3-5.6 million per mile cost to underground distribution lines.[39] How many miles each utility ultimately proposes to underground is not yet known. But an additional 10,000 miles of undergrounding at the current typical range of $2.3-5.6 million per mile cost would alone cost ratepayers tens of billions in capital-related expenses. And that would not address mitigation needs for the nearly 30,000 miles of remaining overhead distribution lines in high fire-threat districts and the nearly 10,000 miles of

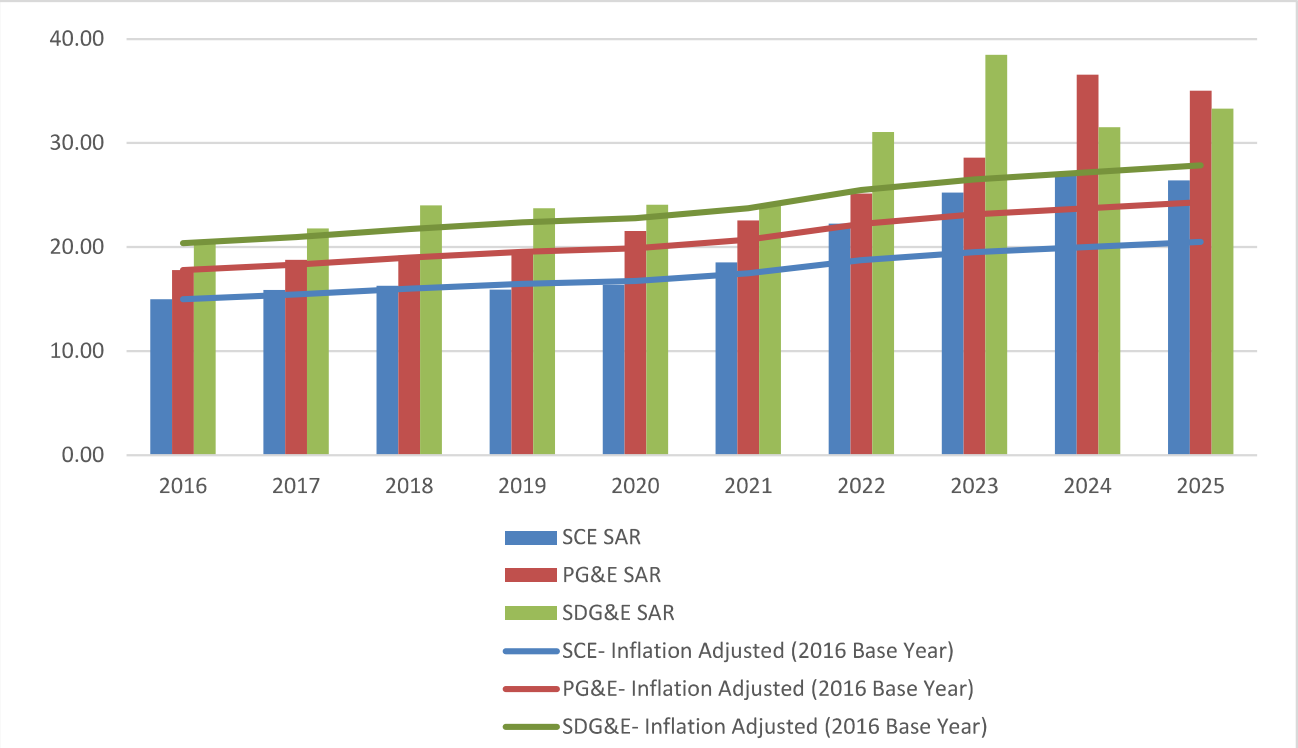
[39] CPUC Response to Executive Order N-5-24 (Feb. 18, 2025) at 23. The estimates are highly uncertain.

overhead transmission lines, along with any mitigation that may need to occur in the remaining service territory.

2. **Wildfire liability and mitigation costs are unsustainably burdening utilities and ratepayers and conflict with the State's climate and clean energy goals.**

Starting in 2021, PG&E, Southern California Edison, and SDG&E average rate increases began to significantly outpace inflation.

PG&E, SCE, and SDG&E January 1 Bundled System Average Rate,
Nominal and Inflation-Adjusted Comparison (cents/kWh)



Although not the only reason for cost increases, wildfire-related costs are the single largest reason.[40] The cost increases are already burdening ratepayers. Further increases are likely not sustainable.

Burdening electricity rates and electricity ratepayers also conflicts with other State goals. As an initial matter, collecting revenue through rates is inherently regressive: low-income Californians pay a higher share of their income for utility bills than higher-income Californians. In addition,

[40] Other contributors include Net Energy Metering program costs, replacement of aging infrastructure, and programs that require unneeded or non-competitively priced energy procurement and/or bill discounts or reductions to one group of ratepayers paid for by other ratepayers.

burdening electricity rates harms the State's climate change and clean energy goals.[41] The move to clean energy requires individuals and businesses to shift equipment and processes (e.g., cars, heating, industrial processes) currently powered by fossil fuels to electric. Increases in electric rates from wildfire liability and mitigation costs harms this transition by diminishing the value proposition of electric equipment and appliances and so slows the transition away from fossil fuels.

3. **Utilities and ratepayers spend more on wildfire mitigation than other actors.**

In 2024-2025, PG&E, Southern California Edison, and SDG&E spent more than $9 billion on wildfire mitigation to reduce the likelihood of utility ignitions. The Stanford Climate & Energy Police Program California Wildfire 2025 Emerging Trends & Policy Insights Report compared utility spending to spending by other actors and noted that the IOU wildfire mitigation spending substantially exceeded CAL Fire's $4.1 billion Combined Fire Protection & Resource Management Budget, most of which goes to fire suppression and not mitigation.[42] California IOU wildfire mitigation spending also exceeded the $6.8 billion the federal land management budgeted for wildfire management nationwide. Other analysis similarly shows that utility wildfire mitigation spending dramatically exceeds wildfire mitigation spending by other actors.[43]

4. **Utility wildfire mitigation is part of the solution but alone has not and will not feasibly solve the increase in California catastrophic wildfires.**

Given the costs from catastrophic wildfires and the role of utility equipment in igniting a material percentage of those wildfires, it has been reasonable to require utilities to spend significant resources on utility wildfire mitigation. Further utility wildfire mitigation that is cost-effective is likely similarly reasonable. But utility wildfire mitigation alone cannot feasibly solve the increase in California catastrophic wildfires for at least two reasons.

First, more than 90% of California wildfires and 70% of California's most destructive wildfires were not ignited by utility equipment.[44] The utility wildfire mitigation spending will have no or very limited impact on those fires.

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[41] *See, e.g.*, SB 100 (De Leon, 2019).

[42] Stanford Climate and Energy Policy Program, California Wildfire 2025: Emerging Trends & Policy Insights (November 2025) at 18, California Wildfire 2025: Emerging Trends & Policy Insights | Climate and Energy Policy Program.

[43] See, e.g., Joint IOU SB 254 Submission, White Paper 4 at 56; NRDC SB 254 Submission at 7.

[44] Using data from CAL FIRE Wildfire Activity Statistics, percent of fires by cause, and CAL FIRE Top 20 destructive fires.

Second, utility wildfire mitigation is by necessity aimed at reducing ignitions from utility equipment. And, as explained above, the increase in catastrophic wildfires has not been driven by increased ignitions. Instead, it stems from factors that cause wildfires, when they occur, to spread faster and become more destructive. Utility wildfire mitigation cannot address many of the possible solutions to increased wildfire spread and destructiveness, such as prescribed burns and community and home hardening.

And given the nearly 50,000 miles of overhead lines in high fire-threat districts and the more than 150,000 total miles of overhead lines, utility wildfire mitigation will not feasibly reduce utility ignitions to zero at a bearable cost. For example, at the estimated $2.3-$5.6 million per mile undergrounding cost, undergrounding all distribution lines in just high fire-threat districts would require $92-224 billion in capital investment. And even that would not address transmission lines, for which undergrounding is significantly more costly, or possible fires from other areas.

As a result, absent effective action addressing wildfire spread and destructiveness, some utility ignitions will continue to occur and may become catastrophic wildfires.

5. **The inverse condemnation scheme does not accurately reflect the reasons wildfires have grown more destructive, leading to inequities and misaligned incentives.**

Utilities are responsible for wildfire ignitions from utility equipment. But for the reasons described above, (1) the increases in catastrophic wildfires are not just or even primarily due to wildfire ignitions; and (2) utilities have limited ability to address the reasons California wildfires are more likely to spread and become destructive. Instead, the commonly described solutions to mitigate wildfire spread, such as forest management, fuel reduction, and community and home hardening must be performed by other actors.

Placing the entire liability for wildfires ignited by utility equipment on utilities with a default presumption that these costs are recoverable from ratepayers thus does not accurately reflect the causes of catastrophic wildfires or equitably allocate the burdens from catastrophic wildfires. Instead, it transforms utilities into an insurance pool primarily financed by ratepayers at great cost to energy affordability and the State's climate and clean energy goals.

It also misaligns incentives. Solving catastrophic wildfires will require action by numerous actors, including a whole-of-government approach. Liability exists in large part to incentivize relevant stakeholders to take those appropriate cautions. In the current system, in which utilities are entirely liable, other actors are not similarly incentivized to engage in wildfire mitigation that might also reduce the risk of catastrophic wildfire. Conversely, given that the potential damages from a single catastrophic wildfire can be tens of billions of dollars and threaten the utilities' financial health,

utilities are incentivized to attempt to drive utility ignitions to as close to zero as possible even at extraordinary cost to ratepayers and affordable electricity. These incentives likely play a part in the disproportionate utility spending described above.

6. **The existing liability scheme creates unequal recovery from catastrophic wildfires and depends on a continuously capitalized Wildfire Fund.**

The existing liability scheme suffers from two additional issues. First, victim recovery from catastrophic wildfires is unequal. Utility equipment has started approximately 30% of the most destructive wildfires. For that 30%, victims may fully recover from the utilities. In the remaining 70%, no analogous actor to recover from exists. And so in the current scheme, the available recovery depends on the cause of the wildfire, a factor that is irrelevant to the victim's harm.

Second, the existing system depends on a Wildfire Fund with ongoing capacity to pay multi-billion-dollar totals. With the scope of possible wildfire damages and California's property values, the potential damages from even one major wildfire can total tens of billions of dollars. The Wildfire Fund was created so that the utilities have access to sufficient capital to pay claims because wildfire liabilities had triggered PG&E's bankruptcy and threatened the credit-worthiness of all California's utilities. Yet as the January 2025 wildfires exposed, the $22+ billion original fund may not be adequate. The State added the Continuation Fund with an additional $18+ billion. But one or a few additional catastrophic fires could raise similar questions as to the adequacy of that fund. And absent a continuously well-capitalized fund, whether California's electric utilities could remain credit-worthy is unclear.

Appendix A: Western State Utility Liability Standards

State	Liability Standard	Damages / Liability Limits	Key Citations
Alaska	Liability for intentional, reckless, or negligent acts; liability evaluated based on vegetation location and compliance with applicable vegetation-management and fire-prevention requirements.	No general damages cap; additional limitations apply in specified vegetation-contact circumstances.	Alaska Stat. §§ 41.15.110, 41.15.130; 11
Arizona	If wildfire mitigation plan, liability limited unless prove failure to comply with proximate cause of harm or prove willful, intentional, or reckless misconduct.	No specific statutory damages limits.	Ariz. Rev. Stat. Ann. § 30-904
Colorado	Ordinary tort principles (negligence).	Non-economic damages are capped by statute for most civil actions.	Colo. Rev. Stat. § 13-21-102.5(3)(a)(II); Cuevas v. Pub. Serv. Co. of Colo., 956 P.2d 1 (Colo. App. 1997)
Hawaii	Ordinary tort principles (negligence).	PUC authorized to establish aggregate limits on damages and related cost-recovery mechanisms.	Haw. Rev. Stat. § 269-27.9
Idaho	Rebuttable presumption of reasonableness if utility complied with the approved wildfire mitigation plan.	Limits on the calculation of real and personal property damage and non-economic damages.	Idaho Code Ann. § 61-1806, 38-107, 6-1603-04
Montana	Rebuttable presumption of reasonableness if utility substantially complied with	Non-economic damages are limited to bodily injury or death; punitive damages are only for gross	Mont. Code Ann. § 69-2-303

	approved wildfire mitigation plan.	negligence or intentional conduct.	
Nevada	Fault-based statutory liability (negligence or violation of law).	No specific statutory damages limits.	Nev. Rev. Stat. § 472.530
New Mexico	Ordinary tort principles (negligence).	No statutory damages caps specific to wildfire liability.	
Oregon	Ordinary tort principles (negligence).	No specific statutory damages limits; mitigation plan compliance not expressly tied to liability limitation.	Or. Rev. Stat. §§ 757.039, 757.210
Utah	Ordinary tort principles (negligence); conditional limitation where the utility had approved a wildfire mitigation plan and was not in material noncompliance.	Limits on economic loss and caps on non-economic damages unless the utility lacked or materially violated the plan.	Utah Code Ann. § 54-24-303
Washington	Fault-based tort liability (negligence).	No specific statutory damages limits.	
Wyoming	If wildfire mitigation plan, liability limited to failure to comply with plan or gross negligence, malice, or criminal intent.	No noneconomic damages unless claim based on injury or death of person in a wildfire.	Wyo. Stat. Ann. § 37-3-405