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California State Assembly

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BACKGROUND

Thursday, May 13, 2026
1:30pm
1021 O Street, Room 1100

OVERSIGHT HEARING

Improving the Utility-Caused Wildfire Recovery System for Survivors, Ratepayers, and Other Stakeholders

California's catastrophic wildfires and the State's evolving response.

The 2007 Witch, Guejito, and Rice Fires. In October 2007, a series of large wildfires ignited and burned hundreds of thousands of acres in several counties¹ in Southern California.² The wildfires caused widespread evacuations of nearly one million residents, led to extensive damage to properties in the region, and resulted in a number of fatalities.³ Among the fires, three – the Witch, Guejito, and Rice Fires – were attributed to San Diego Gas & Electric Company (SDG&E) facilities.⁴ SDG&E incurred approximately \$2.4 billion in costs and legal fees resolving third-party damage claims arising from those fires, and in September 2015, sought approval from the California Public Utilities Commission (CPUC) to recover \$379 million of these costs through customer rates. The CPUC denied that request in November 2017, finding that SDG&E had not reasonably managed and operated the facilities involved in the ignition of the three fires under the CPUC's prudent management standard, which prohibits utilities from recovering ratepayer costs resulting from imprudent utility management.⁵

These fires, and the resultant damages, led to a comprehensive shift in SDG&E's operations: the Company established an internal directive that utility-caused wildfires were not acceptable and sought strategies to significantly reduce utility-caused ignitions. Over the subsequent decade, SDG&E focused on hardening its electric system in high fire threat areas, installing a network of weather stations outfitted with advanced cameras, constructing a state-of-the-art emergency operations center, implementing a wood-to-steel pole replacement program, and adopting other fire risk mitigation strategies, including early usage of Public Safety Power

¹ Spread over portions of Orange, San Diego, Los Angeles, San Bernardino, Ventura, Santa Barbara, and Riverside counties.

² Maranghides, A., and Mell, W.; "A Case Study of a Community Affected by the Witch and Guejito Fires;" National Institute of Standards and Technology; NIST Technical Note 1635; April 2009; <https://nvlpubs.nist.gov/nistpubs/Legacy/TN/nbstechnicalnote1635.pdf>.

³ CPUC Decision 17-11-033.

⁴ SDG&E Application to the CPUC A. 15-09-010.

⁵ CPUC Decision 17-11-033.

Shutoffs. Over the same decade, the CPUC initiated rulemakings to improve fire safety from power lines,⁶ adopted measures to enhance vegetation management,⁷ required electric utilities to submit Fire Prevention Plans (FPPs),⁸ approved an initial Fire Map of high fire threat zones,⁹ and adopted overhead power line rules to account for pole sharing between electric and telecommunication companies.¹⁰ SDG&E spent approximately \$1.7 billion on wildfire-related activities over this decade,¹¹ with costs increasing year-over-year.¹²

The 2015 Butte Fire. In September 2015, the Butte Fire burned over 70,000 acres in the territory of Pacific Gas & Electric Company (PG&E) in Amador and Calaveras Counties, destroyed or damaged 965 structures, and resulted in two fatalities.¹³ The California Department of Forestry and Fire Protection (CAL FIRE) determined that the Butte Fire was caused by contact between an electric overhead line and a tree.¹⁴ In 2016, in response to the Butte Fire, the Legislature adopted SB 1028 (Hill, Chapter 598, Statutes of 2016), which requires investor-owned utilities (IOUs) to prepare and submit annual wildfire mitigation plans (WMPs) to the CPUC, and requires audits be conducted on plan compliance. Prior to SB 1028, IOUs filed FPPs describing their mitigation measures, but provided little justification of risk effectiveness; moreover, the plans were rarely updated.¹⁵ The WMPs consist of performance-based metrics of fire prevention work that the CPUC must review. SB 1028 also requires publicly-owned utilities (POUs) and electrical cooperatives to determine the risk of catastrophic wildfire that can be caused by their electrical equipment and submit WMPs to address these risks to their governing board for approval.¹⁶

The 2017-2018 Wildfire Seasons. In 2017 and 2018, California experienced some of its worst fire seasons on record, in which particularly destructive wildfires claimed 139 lives and destroyed communities in both Northern and Southern California. These destructive and deadliest fires included the November 2018 Camp Fire in Butte County, the December 2017 Thomas Fire in Santa Barbara and Ventura Counties,¹⁷ and the October 2017 fires in the North Bay – the Tubbs, Redwood Valley, and Atlas Fires.¹⁸ All these fires were found to be caused by electrical equipment.¹⁹

⁶ Originally in R. 08-11-005, then R. 15-05-006.

⁷ CPUC Decision 09-08-029 and D. 17-12-024.

⁸ D. 12-01-032.

⁹ D. 16-05-036.

¹⁰ D. 14-02-015.

¹¹ Such as grid hardening, situational awareness, and vegetation management.

¹² Pg. 35, CPUC; “Utility Costs and Affordability of the Grid of the Future: An Evaluation of Electric Costs, Rates, and Equity Issues pursuant to P. U. Code Section 913.1;” (i.e. 2021 SB 695 Report);

https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2021/senate-bill-695-report-2021-and-en-banc-whitepaper_final_04302021.pdf.

¹³ <https://www.fire.ca.gov/incidents/2015/9/9/butte-fire/>.

¹⁴ CPUC Press Release; “CPUC Issues Staff Citations Totaling \$8.3 Million to PG&E for Butte Fire;” April 25, 2017; <https://docs.cpuc.ca.gov/PublishedDocs/Published/G0000/M184/K956/184956998.PDF>.

¹⁵ As of January 2018, prior to the adoption of the WMP process, SCE and PG&E had FPPs on file dated from August 2014 and 2015, respectively. SDG&E, in contrast, updated its FPP in late October 2017. See https://seuc.senate.ca.gov/sites/seuc.senate.ca.gov/files/01-26-18_background.pdf.

¹⁶ PUC § 8387.

¹⁷ <https://www.fire.ca.gov/incidents/2017/12/4/thomas-fire/>

¹⁸ CAL FIRE, “Top 20 Deadliest California Wildfires” (Oct. 9, 2025), <https://34c031f8-c9fd-4018-8c5a-4159cdf6b0d-cdn-endpoint.azureedge.net/-/media/calfire-website/our-impact/fire-statistics/top-20-deadliest-ca-wildfires.pdf?rev=0d4612ff0cb447fb827fa0ac6c309d3d&hash=34718653A215C315C5E3CB5BB6A4E550>;

CAL FIRE, “Top 20 Most Destructive California Wildfires” (Oct. 9, 2025), <https://www.fire.ca.gov/-/media/calfire-website/our-impact/fire-statistics/top-20-destructive-ca-wildfires.pdf>; Assembly Committee on Utilities and Energy, “Oversight Hearing Energy Affordability: Wildfire Spending,” (Mar. 5, 2025), Background at 3.

¹⁹ *Ibid.*

In December 2017, the CPUC adopted new measures to enhance vegetation management and require more frequent inspections around power lines.²⁰ It also updated its Fire Map, more than doubling the high fire threat designations from earlier maps to include approximately 44% of California’s total land area;²¹ this map expansion increased the areas where IOUs needed to invest in more rigorous system hardening.

In January 2019, PG&E filed for Chapter 11 bankruptcy protection, driven by an estimated \$30 billion in wildfire liabilities from the 2017-2018 fires.²² The filing had far-reaching consequences. Survivor claims were automatically stayed, subjected to the uncertainty of a bankruptcy process, and ultimately resolved through a negotiated reorganization rather than individual adjudication – leaving many victims waiting years for compensation. SDG&E and SCE also faced credit rating pressure, as markets recognized the systemic nature of wildfire exposure across all IOU territories.

In response, the Legislature passed several bills increasing oversight of IOUs and enhancing requirements to mitigate against utility-related wildfires. These bills included SB 901 (Dodd, Chapter 626, Statutes of 2018) and AB 1054 (Holden, Chapter 79, Statutes of 2019). Among their many provisions, these bills included more detailed requirements for IOU WMP filings, created a separate Office of Energy Infrastructure Safety (Energy Safety) under the Natural Resources Agency to evaluate the WMPs,²³ added an annual safety culture assessment of the IOUs, established the Wildfire Safety Advisory Board and mandated that POUs submit WMPs to the Board, established a safety certification process at Energy Safety, and created a \$21 billion Wildfire Fund to reimburse eligible claims arising from covered wildfires caused by participating IOUs. The capitalization of the Wildfire Fund’s \$21 billion in claim-paying capacity is split between contributions from the participating IOUs and surcharges on the IOUs’ non-exempt ratepayers.²⁴

The 2025 Los Angeles Fires. In January 2025, the Los Angeles area experienced a catastrophic firestorm that ranks among the most destructive in California history. The Palisades and Eaton fires both ignited on January 7, 2025, driven by extreme Santa Ana wind conditions, and together burned over 37,000 acres in Los Angeles County. The Palisades Fire burned through Pacific Palisades and spread into Malibu and the communities of Topanga Canyon, ultimately destroying 6,845 structures and resulting in 12 civilian fatalities.²⁵ The Eaton Fire burned through Altadena and nearby foothill neighborhoods, ultimately destroying 9,419 structures and resulting in 19 civilian fatalities.²⁶ The cause of the Palisades Fire has been identified as arson, while the cause of the Eaton Fire remains undetermined.

While the cause of the Eaton Fire is under investigation, Southern California Edison’s (SCE) 10-Q report to the U.S. Securities and Exchange Commission (SEC) for the quarterly period ending December 31, 2025, reports approximately 1,500 lawsuits currently pending against Edison International (SCE’s parent company), representing approximately 20,000 individual

²⁰ CPUC Decision D. 14-12-024.

²¹ D. 17-01-009.

²² Eric Westervelt & Matthew S. Schwartz, “California Power Provider PG&E Files for Bankruptcy In Wake Of Fire Lawsuits,” NPR (Jan. 29, 2019), <https://www.npr.org/2019/01/29/689591066/california-power-pg-e-files-for-bankruptcy-in-wake-of-fire-lawsuits>.

²³ The statute initially stood up the Wildfire Safety Division at the CPUC, with a requirement that Energy Safety be a successor to this Division, effective July 1, 2021. See AB 111 (Committee on Budget, Chapter 81, Statutes of 2019).

²⁴ https://www.cawildfirefund.com/sites/wildfire/files/documents/2025/2025_cwf_annualreport_final.pdf.

²⁵ CAL Fire, Palisades Fire Incident Page, <https://www.fire.ca.gov/incidents/2025/1/7/palisades-fire>.

²⁶ CAL Fire, Eaton Fire Incident Page, <https://www.fire.ca.gov/incidents/2025/1/7/eaton-fire>.

plaintiffs, subrogation lawsuits, and lawsuits filed by public entity plaintiffs for the Eaton fire.²⁷ Additionally, in September 2025, SCE reported to the California Earthquake Authority, in its capacity as the Administrator of the Wildfire Fund (CEA), that it had settled a claim that alleged damage arising out of the Eaton Fire.²⁸ This settlement action qualified the Eaton Fire as a “covered wildfire” for which SCE is eligible to seek reimbursement from the Wildfire Fund.²⁹ CEA has reported that while estimates of damages resulting from the Eaton Fire remain subject to significant uncertainty, the resulting claims may be substantial enough to fully exhaust the Wildfire Fund.³⁰

In September 2025, the Legislature passed SB 254 (Becker, Chapter 119, Statutes of 2025). The measure is an expansive effort to address electricity affordability and wildfire-related financial risk for California’s IOUs. Its main provisions include: (1) continuation of the Wildfire Fund through creation of an \$18 billion Continuation Account, funded equally by ratepayer charges and IOU shareholder contributions; (2) establishment of a California Transmission Infrastructure Accelerator to develop lower-cost public financing for eligible electric transmission projects; (3) a prohibition on IOUs earning a return on equity on the first \$6 billion in wildfire risk mitigation capital expenditures, coupled with authorization to securitize those costs; (4) authorization for IOUs to securitize costs arising from 2025 wildfire liabilities in excess of the existing Wildfire Fund, subject to a subsequent just and reasonable review by the CPUC; (5) streamlining of permitting processes for clean energy projects; (6) modifications to wildfire risk mitigation requirements and clarification of oversight roles between Energy Safety and the CPUC; (7) coordination of planning and design information sharing for underground infrastructure projects; and (8) additional transparency, auditing, and accountability requirements for IOU operations and executive compensation.

SB 254 also required the CEA to prepare and submit to the Legislature and the Governor a report evaluating and setting forth recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes – including catastrophic wildfires, earthquakes, and other natural disasters – across stakeholders including insurers, communities, homeowners, landowners, governments, electrical corporations, and local publicly owned electric utilities.

SB 254 called for recommendations across ten subject areas:

1. Accessibility and affordability of property insurance in California in light of the accelerating costs of climate change-induced and other natural catastrophes.
2. An evaluation of alternative structures to socialize risk of damage from natural catastrophes, including catastrophic wildfires, that most efficiently and expeditiously compensate those harmed while maintaining accessibility to property insurance and access to safe, affordable, and reliable energy for Californians.
3. Additional mitigation measures and technology solutions to reduce the risk of ignition of wildfires and limit the spread of and damage from wildfires.
4. Financing, insurance, and other mechanisms to expedite recovery for communities impacted by natural catastrophes, including wildfires, and to expedite compensation for property loss.
5. Additional measures to benefit ratepayers through reducing costs caused by fiscal uncertainty while holding electrical corporations accountable for improving safety and reducing the risk of catastrophic wildfires.

²⁷ CCRC, Meeting Materials (May 7, 2026), <https://www.cawildfirefund.com/sites/wildfire/files/documents/2026/ca-catastrophe-response-council-meeting-materials-may-7-2026.pdf>.

²⁸ *Id.*

²⁹ Cal. Pub. Utilities Code Section 1701.8(a)(1)

³⁰ CEA, “2025 Annual Report on the California Wildfire Fund’s Operations (July 24, 2025), https://www.cawildfirefund.com/sites/wildfire/files/documents/2025/2025_cwf_annualreport_final.pdf.

6. Options for enactment of a streamlined, low-cost mechanism to provide injured parties full compensation for damages resulting from wildfires.
7. An analysis of the potential benefits and potential negative impacts on homeowners related to reasonable limitations on changes to recoveries in wildfire litigation arising from ignitions caused by electrical or gas utility infrastructure, including, but not limited to, restrictions on the recovery of attorney's fees, limitations on economic and noneconomic damages, including claims by insurers, limitations on public entity claims, limitations on claims by those outside the fire perimeter, and aggregate limitations on liability per event.
8. Options for enactment of programs to reduce the risk of wildfires spreading and becoming high-severity catastrophes, including improved state and local catastrophic event response capability, home fire risk reduction standards, vegetation management practices, and communitywide wildfire hardening requirements.
9. Options for reducing the economic damage resulting from wildfires and potentially other catastrophic natural disasters, including minimum insurance requirements, mechanisms to ensure insurance rates appropriately account for home and community hardening measures taken, special assessments to support infrastructure investments and emergency response, and improved land use planning.
10. Options for new models to complement or replace the fund, such as state-supported property insurance, or reinsurance, or both insurance and reinsurance, for wildfires and potential catastrophic natural disasters; a mutual wildfire insurance fund; a publicly supported financial safety net to enhance long-term resilience and utility and insurance rate affordability; and improvements to the fund to enhance its durability.

On September 30, 2025, Governor Newsom issued Executive Order N-34-25, directing the Office of Energy Infrastructure Safety (Energy Safety), the Office of Emergency Services (OES), and the Department of Forestry and Fire Protection (CAL FIRE), and requesting the California Public Utilities Commission (CPUC) and the California Department of Insurance (CDI), to collaborate and provide information and recommendations to CEA. On April 7, 2026, CEA submitted its report to the Legislature and the Governor. The information and recommendations from Energy Safety, OES, CAL FIRE, CPUC, and CDI are also available on the Wildfire Fund website.

This hearing is an opportunity to draw attention to the CEA's report and to ensure that policymakers have the foundational understanding they will need when legislative proposals begin to take shape. That means understanding how the current framework is structured, where it breaks down for survivors trying to rebuild and for utilities trying to remain solvent, and what the cost of inaction looks like. The CEA report is unambiguous on that last point: no proposed pathway includes the option to simply fail to act. Failing to do so will come at significant cost. The reforms ahead will involve genuine tradeoffs, and this hearing continues the work of understanding those tradeoffs.

Several other committees are holding informational hearings this month on the CEA's SB 254 report and related topics. Committee members may wish to review the materials and testimony from those hearings for additional information:

- May 6, 2026: Assembly Budget Subcommittee No. 4 on Climate Crisis, Resources, Energy, and Transportation: "Home Hardening Oversight Hearing"
- May 12, 2026: Senate Energy, Utilities and Communications Committee: "Enhancing California's Resiliency to Natural Catastrophes: Senate Bill 254 (2025) Study Report. Focusing on Electric Utility-Related Policy Recommendations"
- May 12, 2026: Senate Insurance Committee: "Bending the Curve: Protecting Californians from Wildfire Risk"

- May 13, 2026: Senate Emergency Management Committee and Natural Resources and Water Committee: “Wildfire Mitigation, Resilience Financing, and Recovery”

The CEA Report.³¹

The CEA report, submitted on April 7, 2026, organizes its policy options around three Pathways, each containing Strategies and Options. The report presents these Pathways, Strategies, and Options as a menu of possibilities for policymakers to consider; it does not endorse, recommend, or prioritize any particular Pathway, Strategy, Option, or combination thereof. The report states that no Pathway includes the option to simply fail to act.

The full Pathways, Strategies, and Options are presented below in Figure 1. Figure 1 can also be found on page 3 of the report.

Figure 1:³²

SB 254 Study Report’s Policy Pathways, Strategies, and Options

Pathway 1 – Commit to Community Wildfire Risk Reduction	
Strategy 1.1: Enhance the Statewide Approach to Driving Targeted Community Wildfire Risk Reduction.	Option 1.1.1: Strengthen and align statewide coordination for community wildfire mitigation. Option 1.1.2: Develop essential data and analytical infrastructure to identify and assess wildfire risk mitigation needs and track progress statewide. Option 1.1.3: Adopt and implement science-informed standards and programs to guide targeted, high-impact mitigation efforts in communities across the state. Option 1.1.4: Streamline administrative processes and procedures to maximize resources and expedite implementation of standards.
Strategy 1.2: Stimulate Community and Home Level Commitment and Shared Responsibility for Wildfire Risk Reduction and Community Resiliency	Option 1.2.1: Incentivize community wildfire mitigation planning and project-level implementation with financial resources and technical support. Option 1.2.2: Tighten the link between risk reduction and insurance. Option 1.2.3: Incentivize city and county pre-disaster recovery planning with financial resources and technical support.
Strategy 1.3: Continue to Prioritize Electric Utility Safety and Accountability	Option 1.3.1: Develop a risk tolerance standard with binding application to electric utility liability. Option 1.3.2: Preserve safety Certificate accountability and financial stabilization benefits. Option 1.3.3: Establish a statutory minimum safety weighting in electric utility executive compensation. Option 1.3.4: Establish a confidential reporting system with statutory safe-harbor protections.
Pathway 2 – Equitably Allocate Catastrophe Burdens	
Strategy 2.1: Strengthen Access to Residential Property Insurance for all California Homeowners and Renters	Option 2.1.1: Solidify the long-term effectiveness of the Sustainable Insurance Strategy. Option 2.1.2: FAIR Plan Reform - Return the FAIR Plan to a “market of last resort.” Option 2.1.3: Institute a statewide insurance market health monitoring program. Option 2.1.4: Solve for underinsurance - Make the standard homeowners insurance product more responsive to catastrophe recovery needs. Option 2.1.5: Enhance market oversight following disasters.
Strategy 2.2: Reform Utility Liability	Option 2.2.1: Eliminate inverse condemnation for electric and gas utility-caused wildfires. Option 2.2.2: Modify the damages for which electric and gas utilities are liable outside of inverse condemnation. Option 2.3.3: Eliminate insurance subrogation.
Strategy 2.3: Efficiency and Compensation Improvements for Utility-caused Wildfires to Accelerate Recovery and Reduce Legal Costs	Option 2.3.1: Create a “fast pay” facility for survivors of utility-caused wildfires.
Strategy 2.4: Make a More Durable, Permanent Wildfire Fund	Option 2.4.1: Create a more durable Wildfire Fund with potential to use risk transfer. Option 2.4.2: Create a more durable Wildfire Fund with diversified funding sources. Option 2.4.3: Establish a more durable Wildfire Fund along with liability reforms.
Pathway 3 – State Roles for Addressing Catastrophe Resiliency	
Strategy 3.1: State Roles to Finance Catastrophe Risk	Option 3.1.1: Establish a State-administered wildfire liability insurance program for electric utilities. Option 3.1.2: Establish a State-backstop for electric utility wildfire liability with a residual utility self-insurance pool. Option 3.1.3: Establish a State-backed catastrophe reinsurance layer for the residential property insurance market. Option 3.1.4: Create a State-sponsored wildfire insurer.
Strategy 3.2: Statewide Funding for Community Wildfire Mitigation	Option 3.2.1: Develop a long-term funding and financing strategy for statewide community wildfire mitigation.

³¹ CEA, “Enhancing California’s Resiliency to Natural Catastrophes: Senate Bill 254 (2025) Study Report (Apr. 7, 2026),” <https://www.cawildfirefund.com/sites/wildfire/files/documents/2026/sb254-natcatresiliencyreport-locked-4-7-26.pdf>.

³² Figure 1: “SB 254 Study Report’s Policy Pathways, Strategies, and Options,” CEA, “Enhancing California’s Resiliency to Natural Catastrophes: Senate Bill 254 (2025) Study Report” (Apr. 7, 2026), p. 3, <https://www.cawildfirefund.com/sites/wildfire/files/documents/2026/sb254-natcatresiliencyreport-locked-4-7-26.pdf>.

The report also contains a chart summarizing the cost-benefit tradeoffs of different Pathways and Strategies, which is shown below in Figure 2. Figure 2 can also be found on page 104 of the report.

Figure 2.³³

Table 6 Summary of Cost-Benefit Tradeoffs of Different Policy Pathways and Strategies

Policy Pathways and Strategies	Costs	Benefit
Statewide Coordination and Local and Individual Shared Responsibility for Community Mitigation (Pathway 1, Strategies 1.1 and 1.2, and Pathway 3, Strategy 3.2)	<ul style="list-style-type: none"> Minimal direct State cost if strategies are designed well. Benefits accrue slowly and depend on wildfire occurrence patterns. Requires upfront coordination, planning, and capacity building at the community level. 	<ul style="list-style-type: none"> Long-term best value for the state through avoided losses and reduced future disaster spending. Creates a strong foundation for attracting private and philanthropic capital. Community-scale risk reduction produces benefits that extend beyond individual property owners. Supports resilient local economies and infrastructure over time.
Utility Safety (Pathway 1, Strategy 1.3)	<ul style="list-style-type: none"> Requires sustained investment in system hardening, vegetation management, and operational changes. Benefits accrue over time and depend on regulatory clarity and enforcement. 	<ul style="list-style-type: none"> Long-term value through reduced ignition risk and fewer catastrophic events. Clearer standards for “acceptable risk” could reduce unnecessary spending and lower ratepayer costs. Supports more predictable planning and investment cycles.
Stable Property insurance (Pathway 2, Strategies 2.1)	<ul style="list-style-type: none"> Expanded coverage for recovery comes with higher costs and striking this balance is challenging. Insurance instability will persist in fire-prone areas absent substantial home and community loss reduction. Implementation requires regulatory and industry alignment, which may take time. 	<ul style="list-style-type: none"> Offers both near-term and long-term value to assets and the residential sector by stabilizing insurance availability. Stronger linkages between mitigation and insurance pricing can help offset expected affordability pressures, incentivize investment into resilience, and motivate risk-reduction collective action in communities. Accessible and full insurance will lead to improved recoveries for survivors.
Utility Liability Reform and Compensation Improvements (Pathway 2, Strategies 2.2 and 23)	<ul style="list-style-type: none"> Potential shifts in who bears risk and cost across utilities, ratepayers, wildfire survivors, local governments, and the State. 	<ul style="list-style-type: none"> Some reforms can immediately reduce utility outflows for claims, settlements, or financing costs. Could improve financial stability for utilities and reduce volatility in ratepayer impacts.
Financing Catastrophe Risk, including the Wildfire Fund, other Potential Tail Risk Approaches (Pathway 2, Strategy 2.4 and Pathway 3, Strategy 3.1)	<ul style="list-style-type: none"> Costs are highly dependent on the chosen structure (e.g., reserve fund, reinsurance, catastrophe bonds). Some approaches, for example to prefund durable liability coverage, require significant upfront capital or ongoing contributions. These costs materialize immediately and may affect utility rates or State financing needs. Design choices determine whether costs fall on the State, ratepayers, insurers, or a mix. 	<ul style="list-style-type: none"> Potential to stabilize post-disaster financing and reduce pressure on the General Fund. Could create a more predictable and equitable system for recovery funding. Depending on design, may attract private capital or reinsurance markets.

Table Rev. 4/22/26

³³ Figure 2: “Summary of Cost-Benefit Tradeoffs of Different Policy Pathways and Strategies” (Table 6), CEA, “Enhancing California’s Resiliency to Natural Catastrophes: Senate Bill 254 (2025) Study Report” (Apr. 7, 2026), p. 104, <https://www.cawildfirefund.com/sites/wildfire/files/documents/2026/sb254-natcatresiliencyreport-locked-4-7-26.pdf>. Note: Table 6 bears a revision date of April 22, 2026, indicating it was updated after the report’s original submission date of April 7, 2026.

Submissions to the CEA Report.

In addition to state agency submissions from CPUC, Energy Safety, OES, CAL FIRE, and CDI, the CEA issued a call for submissions and received input from a broad range of stakeholders. Stakeholder submissions from over 50 groups are hosted on the Wildfire Fund website.

Responses to the CEA Report.

A number of organizations have circulated written responses to the CEA report. Below is a summary of responses of which this committee is aware. The summaries below are based on materials circulated by the responding organizations. That underlying material has not been independently verified or fact-checked by committee staff. Committee members may wish to review the underlying source materials and evaluate claims and assertions contained in each response accordingly.

Los Angeles Department of Water and Power (LADWP)

LADWP's May 4, 2026, letter to Governor Newsom, and Chairs Petrie-Norris and Allen argues that the current wildfire liability framework is unsustainable and uniquely harmful to municipal utilities, because financial stress on a city-owned utility like LADWP flows directly to the city itself – and in an extreme scenario could bankrupt it.³⁴ The letter identifies affordability, financial stability, and infrastructure investment as the three objectives of reform and policy priorities.³⁵ It proposes two reform pathways: Pathway 1 would eliminate inverse condemnation entirely and replace it with a fault-based negligence standard, which LADWP calls the most direct and durable solution;³⁶ Pathway 2, if elimination fails, proposes an integrated, three-pronged solution: (i) establishing a liability cap through a state-administered utility wildfire liability insurance program and state-backstop with non-regressive funding mechanism; (ii) adopting targeted damages reform and reforming subrogation; and (iii) increasing customer access to residential property insurance through a state-supported residential insurance concept – with all three pillars dependent on one another to be effective.³⁷ The letter closes by cautioning that fund-only constructs and long-term mitigation investments, while valuable, should not substitute for near-term liability reform, because the capital markets consequences of catastrophic liability are immediate.³⁸

Coalition of Wildfire Survivor, Consumer, and Environmental Organizations

A coalition of wildfire survivor, consumer, and environmental organizations wrote to Assembly Speaker Rivas and Senate President Limón on April 21, 2026, opposing the CEA's SB 254 recommendations on the grounds that the report fails to hold utilities accountable for their role in causing California's worst wildfires.³⁹ The letter details specific instances of negligence – including PG&E's criminal liability for the Camp Fire due to a "run to failure" maintenance policy and SCE's alleged failure to remove an abandoned transmission line that appears to have sparked the Eaton Fire – arguing that credible reform cannot be designed without honestly confronting the origins of these disasters.⁴⁰ The signatories contend that the CEA's recommendations, such as eliminating punitive damages, would further shield utilities from accountability while shifting costs onto ratepayers and survivors.⁴¹ The letter concludes

³⁴ Letter from Kendall Helm, Chief Strategy and Sustainability Officer, LADWP, to Governor Newsom, Chair Petrie-Norris, and Chair Allen (May 4, 2026) (posted on the Committee's website), at 2.

³⁵ *Id.*

³⁶ *Id.* at 2-3.

³⁷ *Id.* at 3-6.

³⁸ *Id.* at 7.

³⁹ Letter from Valerie Ventre-Hutton et al. to Honorable Robert Rivas and Honorable Monique Limón, Re: Opposition to CEA Recommendations Limiting Wildfire Survivors' Rights (Apr. 21, 2026) (posted on the Committee's website), at 1.

⁴⁰ *Id.* at 2.

⁴¹ *Id.*

that reform should focus on curbing excessive utility profits rather than limiting wildfire survivor's rights, and that reducing accountability risks increasing – not decreasing – the likelihood of future catastrophic fires.⁴²

Personal Insurance Federation of California and National Association of Mutual Insurance Companies (PIFC-NAMIC)

PIFC and NAMIC wrote to the California Catastrophe Response Council on May 6, 2026, raising significant concerns about the SB 254 Study Report's treatment of wildfire liability allocation, arguing that the CPUC's 2017 decision to deny an IOU's request to socialize fire-related costs through ratepayer rates upset the longstanding regulatory covenant and created a policy contradiction: having deemed it inappropriate for electricity ratepayers to bear wildfire liability costs when utility behavior fails prudence standards, the emerging policy frameworks, including those contemplated or enabled in the SB 254 report, suggest shifting those same liabilities onto taxpayers and insurance consumers.⁴³ The letter argues that this redistribution does not eliminate the cost – it merely relocates it to parties who neither control utility operations nor contribute to wildfire causation in any direct sense.⁴⁴ The letter also states that the SB 254 report fails to adequately situate wildfire liability within the broader context of electricity affordability. The letter contends that California's high residential electricity rates are driven primarily by structural and policy factors unrelated to wildfire liabilities, including cost shifts associated with Net Energy Metering, income-based rate relief programs, climate and decarbonization mandates, and utility-specific infrastructure and procurement requirements.⁴⁵ The letter objects to the proposal to eliminate insurer subrogation, identifying it as a constitutionally protected property right whose elimination would face significant legal challenge, and questions the report's estimates suggesting that insurer subrogation may account for 35-40% of wildfire fund payments, arguing that the figure appears to be derived from modeling assumptions that have not been publicly validated.⁴⁶ The letter concludes by urging a more comprehensive and internally consistent policy analysis that transparently aligns cost responsibility with control over risk, fully accounts for legal and economic constraints, and avoids shifting financial burdens onto parties who neither caused nor can control the underlying risks.⁴⁷

Natural Resources Defense Council (NRDC)⁴⁸

Writing by Jo Gardias for NRDC in response to the CEA's SB 254 study, the post argues that California's current approach of embedding wildfire costs in electricity bills is both regressive and ineffective, noting that roughly one-third of the average PG&E customer's monthly bill now goes toward wildfire-related costs, that electricity prices have risen 40 percent above inflation between 2018 and 2024, and that electricity customers have become the single-largest source of wildfire prevention funding in the state – providing more than three times the amount allocated through the state budget. The post endorses three categories of reform drawn from the report: first, reforming utility liability and cost recovery, noting that while changing inverse condemnation is one option, other approaches include expanding non-ratepayer funding, limiting certain damage categories, eliminating insurance subrogation, and creating a state

⁴² *Id* at 2-3.

⁴³ Letter from Seren Taylor, Vice President, PIFC, and Christian Rataj, Sr. RVP Western Region, NAMIC, to CCRC, Re: SB 254 Natural Catastrophe Resiliency Study (May 6, 2026), <https://www.cawildfirefund.com/sites/wildfire/files/documents/2026/sb-254-report-letter-of-concern-final-5-6-2026.pdf>, at 1.

⁴⁴ *Id*.

⁴⁵ *Id* at 2.

⁴⁶ *Id* at 3.

⁴⁷ *Id* at 3.

⁴⁸ Jo Gardias, "Wildfires Are Burning a Hole in Your Pocket. Here's How to Mend It.," NRDC Expert Blog (Apr. 23, 2026), <https://www.nrdc.org/bio/jo-gardias/wildfires-are-burning-hole-your-pocket-heres-how-mend-it#future>.

utility insurance backstop; second, stabilizing private insurance markets and the FAIR Plan, which now covers more properties than any private insurer in the state; and third, funding wildfire prevention more equitably through new progressive revenue sources, including a restored annual wildfire prevention fee on property owners and tools enabling local governments to attract private capital for prevention projects.

Consumer Attorneys of California (CAOC)

CAOC submitted a letter to the Assembly and Senate Utilities Committees, Assembly and Senate Insurance Committees, Assembly and Senate Judiciary Committees, and the Senate Emergency Management Committee on May 7, 2026, urging policymakers to evaluate proposals to modify existing legal frameworks based on their impact on consumer recovery, market stability, and long-term resilience.⁴⁹ In response to the SB 254 report specifically, the letter states CAOC's positions as: (i) existing inverse condemnation law remains a central mechanism for compensation for property owners while incentivizing safe utility operations; available legal precedent and historical wildfire outcomes suggest that significant modification could alter rebuilding incentives and shift recovery costs onto homeowners or public systems;⁵⁰ (ii) limits on damages harm access to the civil justice system for all consumers harmed by wildfires;⁵¹ (iii) artificial limits on homeowner's right to contract for an attorney hurt people who cannot afford to pay an attorney by the hour;⁵² (iv) CAOC has been, and continues to be, in the forefront, working with legislative leaders, to address the increase in advertising, the influence of private equity in the legal field and unethical practices by some attorneys.⁵³ The letter concludes by stating that in the fire context, any analysis of legislative changes must first start with an examination of the IOUs whose conduct has repeatedly led to fires in our state.⁵⁴

Electrical Equipment-Caused Fires.

Human-caused ignitions account for the majority of known wildfire sources in the state, with electrical equipment being a subset. Power line fires occur hundreds of times each year. Rarely do these fires grow to be large and destructive, but when they do, they can be catastrophic. Electrical equipment can act as an ignition source, arising from energized power lines contacting dried brush, arcing to neighboring equipment, or contacting with trees. Moreover, California's strong Diablo and Santa Ana winds that often damage utility infrastructure also contribute immensely to the spread of any resultant fire, increasing these particular fires' severity and scale. Overall risks for wildfires have also increased with the extended drought and bark beetle infestation that has increased tree mortalities and, as a result, increased the fuel for wildfires. Finally, IOUs' obligation to serve, requiring stringing power lines through woodland areas, and their aging infrastructure with slow investment timelines further contributes to the frequency of electrical-caused ignitions.

Wildfire Spending.

The CPUC's most recent SB 695 Utility Cost Report identifies wildfire-related costs as among one of the three primary drivers of rising electricity rates. In 2024, the wildfire-related revenue requirement made up about 27% of PG&E's total revenue requirement, and 17% of both SCE and SDG&E's total revenue requirements, translating to an average annual cost of roughly \$250 to \$490 for residential customers. Total wildfire mitigation and wildfire liability costs (collectively, "wildfire-related costs") authorized for recovery between 2019 and 2024 are approximately \$40 billion, resulting in an equivalent revenue requirement over this time period

⁴⁹ Letter from Nancy Peverini, Legislative Director, CAOC, to Assembly and Senate Utilities, Insurance, Judiciary Committees, and Senate Emergency Management Committee, Re: The Wildfire Fund, Homeowner's Legal Rights and the SB 254 Report (May 7, 2026) (posted on the Committee's website), at 1.

⁵⁰ *Id* at 3-5.

⁵¹ *Id* at 5-6.

⁵² *Id* at 6-7.

⁵³ *Id* at 7-8.

⁵⁴ *Id* at 9.

of about \$27 billion. Wildfire mitigation costs, driven in part by climate change, are projected to continue their upward trend as indicated in the 2026-2029 WMPs recently filed by the IOUs with Energy Safety.⁵⁵

Inverse Condemnation.

The California Constitution provides the basis for recovery against government entities and public utilities via the theory of inverse condemnation. Section 19 of Article 12 requires that “just compensation” be paid when private property is taken for public use. This is commonly understood as eminent domain. In the case where a property is damaged by a public improvement project, the application is known as inverse condemnation. The policy underlying the concept of inverse condemnation is that the costs of a public improvement benefiting the community should be spread among those receiving the benefit, as opposed to being allocated to a single person within a community. In the case of inverse condemnation, unlike in cases of negligence, the responsible entity is held strictly liable where a public improvement causes property damage. The California Supreme Court and appellate courts have held that inverse condemnation is applicable to privately-owned public utilities (*Gay Law Students Association v. Pacific Telephone & Telegraph Co. (1979) 23 Cal.3d 458, 469; Barham v. Southern California Edison Company (1999) 74 Cal. App 4th 744*). In the Barham decision, the court also held that the IOU was akin to a government entity and could recover costs associated with the damages from its ratepayers (roughly \$150,000 for communications equipment damaged due to a short circuit after a large bird sat on the electric line).⁵⁶

CONCLUSION

The structural conditions underlying California’s wildfire recovery challenges did not emerge suddenly. Climate change, population growth in fire-prone areas, and the cumulative consequences of land use and fire management decisions have intensified the frequency and severity of catastrophic wildfires over time. The AB 1054 (2019) framework – including the Wildfire Fund, the safety certification, and Wildfire Mitigation Plan requirements – represented the state’s response to the 2017-2018 wildfire season and PG&E’s subsequent bankruptcy. SB 254 (2025), including its stop-gap Wildfire Fund Continuation Account funding and other immediate provisions, represented the Legislature’s response to the January 2025 Los Angeles fires. The CEA report required by SB 254 is intended to give policymakers ideas and options for longer-term, durable changes to the existing framework – changes that will necessarily involve tradeoffs between the interests of a host of stakeholders, including survivors, ratepayers, utilities, policyholders, and the broader public. The CEA report, the CPUC, Energy Safety, CAL FIRE, OES, and CDI submissions that accompany it, as well as the numerous individual stakeholder submissions, represent the most comprehensive state-commissioned analysis of the problem and the available options to date. This hearing is the next step in engaging with the various options for reform, understanding the tradeoffs involved, and determining how California moves forward.

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⁵⁵ California Public Utilities Commission, 2025 Senate Bill 695 Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to P.U. Code Section 913.1, at 2-3 (September 2025).

⁵⁶ Cal. Senate Comm. on Energy, Utils. & Commc’ns, Bill Analysis of AB 1054 (Holden), 2019-2020 Reg. Sess. (July 8, 2019), https://seuc.senate.ca.gov/sites/seuc.senate.ca.gov/files/ab_1054_analysis.pdf.