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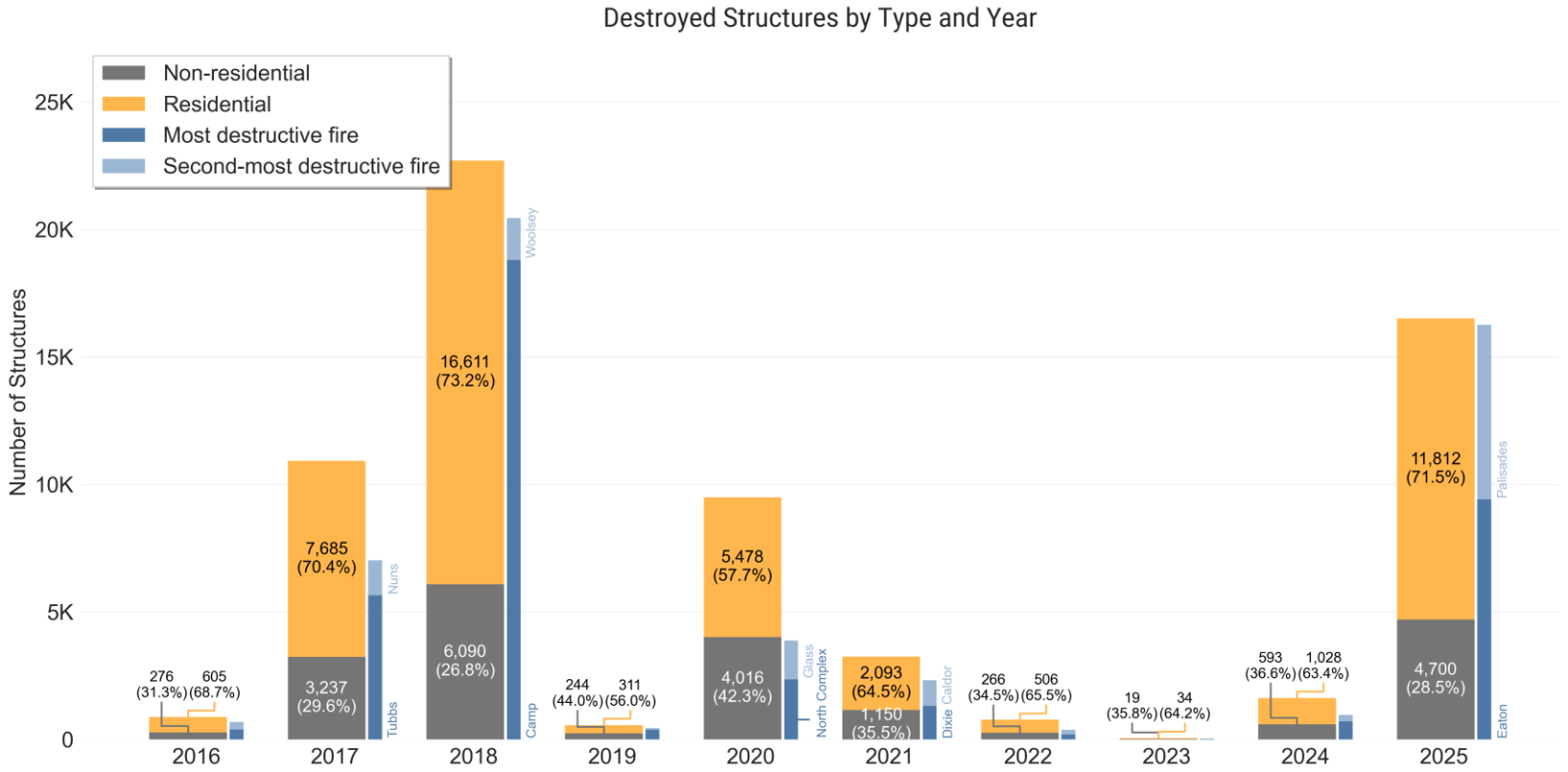
*Woods Institute for the Environment*

# Assembly Utilities & Energy and Insurance Committees Joint Hearing on Subrogation

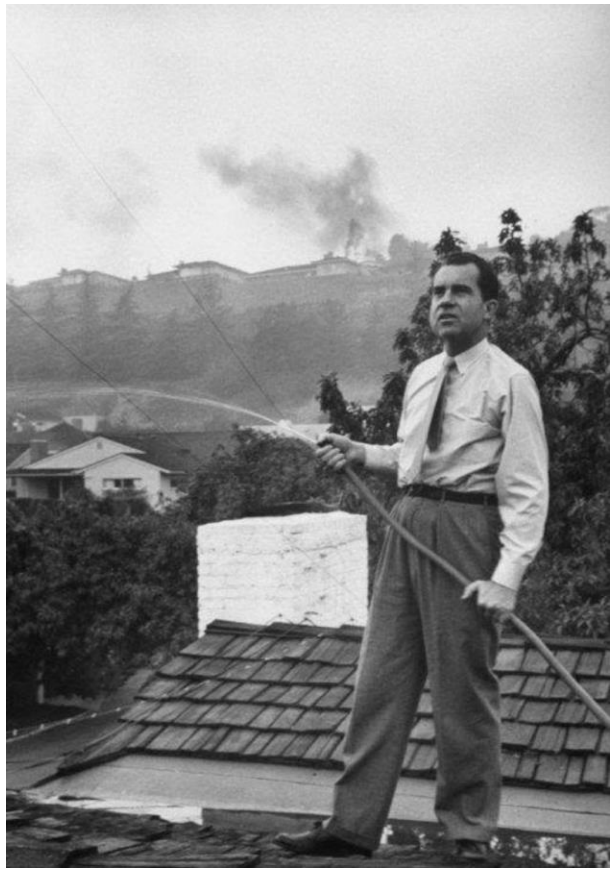
Michael Wara

October 29, 2026

# Wildfire structure loss is unprecedented



# Wildfire structure loss is unprecedented



Richard Nixon fights the Bel Aire Fire, 1961, 484 structures lost.

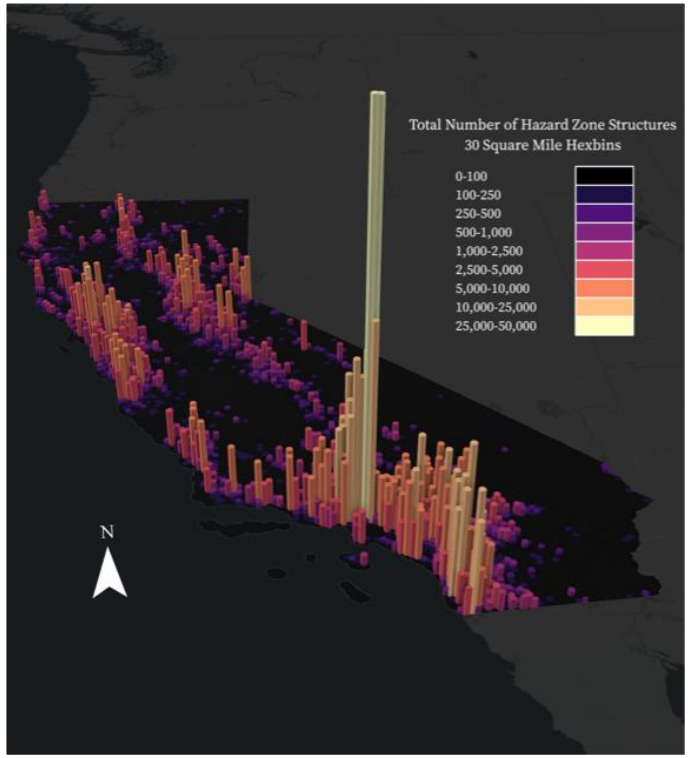
# Subrogation against whom?

## Structures Counts in Wildfire Hazard Severity Zones

- PG&E Corporation – 1,096,463 (23%)
- Edison International – 992,841 (22%)
- SDG&E – 441,136 (40%)
- LADWP – 246,183 (23%)

See, Evans et al., 2026, https://wuistructurallookbook.stanford.edu

Statewide Density of Wildfire Hazard Zone Structures




Bree A. Evans

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Sources: Overture Foundation (structures); Office of the State Fire Martial (state and local fire hazard severity zones); United States Forest Service (federal wildfire hazard potential areas); ESRI (USA Federal lands)

# How big is the impact of subrogation on utility customers? It depends

- Who pays for wildfires (does Legislature make changes?)
- Legal certainty regarding inverse condemnation doctrine
- Solvency of payor/access to and cost of borrowing
- Priority in bankruptcy of unsecured creditor claims

All of these drive settlement value for utility caused fires

# What will likely happen for the Eaton Fire?

- Typical subrogation fraction of total liability has been ~40%
- Typical settlements have been 55% of claim
- Eaton Fire settlements may be higher – perhaps 70%
- These claims will be paid out of the California Wildfire Fund

Little to no impact on customers beyond Wildfire Fund costs associated with subrogation ($0.89 to $1.30 per month to 2035)

# What if there are more utility caused fires?

**Subsequent IOU Fire, $22B loss in 2027**

- Wildfire Fund Continuation account exhausted ($12B NPV)
- Assume remaining $10B liability is 40% subrogation/60% other claims (55% settlement value)
- Assume prudence - ratepayers are accountable for liability
- Cost per customer depends on customer count and load
- In addition to Wildfire Fund securitization charge to 2045

SCE customer impact of about $4.50/month for 30y
PG&E customer impact of about $4.15/month for 30y
SDG&E customer impact of about $14/month for 30y

# What if there are more utility caused fires?

**Subsequent POU Fire, $22B loss in 2027**

- California Wildfire Fund not available to pay claims
- Assume remaining $22B liability is 40% subrogation/60% other claims (55% subrogation settlement value)
- Prudence is irrelevant to POU liability

LADWP customer impact of about $33/month for 30y

# How much do utility customers save if subrogation rights are modified?

- Question of what is status quo? Is it 55% or 70% settlement value?
- If subrogation capped at 50% and settlement value is 55%, 10% cost savings for utility customers on prior estimates.
- If subrogation capped at 50% and settlement value is 70%, 29% cost savings for utility customers on prior estimates.
- If subrogation eliminated, customer savings from $4.15 to $33 per month for 30y on a $22B fire and enhanced durability of Wildfire Fund Continuation Account.

# Conclusions

- Subrogation costs are an important contributor to overall utility wildfire liability.
- Magnitude depends on factors that have varied through time and will change depending on if there are changes to wildfire liability structure.
- Customer bill impacts of future large loss events depend on multiple factors.



Kim Novak fights the Bel Aire Fire, 1961

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# Thank you

https://cepp.stanford.edu

2026 Year in California Wildfire released on November 5th!