

Up from the Ashes
A COALITION OF FIRE VICTIMS HURT BY PG&E

LEAGUE[®]
OF CALIFORNIA
CITIES



March 19, 2019

TO: THE HONORABLE GAVIN NEWSOM
THE HONORABLE TONI ATKINS
THE HONORABLE ANTHONY RENDON

FR: Up From the Ashes, Consumer Attorneys of California, California State Association of Counties, Urban Counties of California, League of California Cities, Personal Insurance Federation of California, National Association of Mutual Insurance Companies, American Property Casualty Insurance Association

Dear Governor Newsom, Senate President Pro Tem Atkins, Assembly Speaker Rendon:

As we continue to recover from and prepare for yet another wildfire season, we appreciate the Administration and the Legislature's focus on wildfire recovery, response and liability. Our organizations supported the passage of SB 901 (Dodd, 2018) and the efforts to address the multitude of issues surrounding catastrophic wildfire, including utility-caused wildfires and liability. Unfortunately, since that time California has experienced another series of tragic wildfires – the 2018 Camp Fire being the most deadly and destructive yet. We've also seen a major utility file for Chapter 11 Bankruptcy as a result of liabilities and other credit ratings reduced.

With a renewed sense of urgency, we once again commit to work with the Administration and the Legislature on policies that will address this mounting crisis in our state. We stand ready to work together to address the root causes of the growing threat of catastrophic wildfire and critical safety measures that will help to prevent future events. However, we also feel obligated to continue to express our opposition to any potential efforts to revise constitutional protections under "inverse condemnation" laws and long-standing liability statutes related to the causes of wildfires. Inverse condemnation is the constitutionally protected property right that protects victims and provides a strong incentive for utilities to invest in necessary safety measures. While we believe this is the critical foundation for our liability structure, we also believe there are measures that can be taken to improve safety, protect victims and rate payers and provide greater certainty with respect to future liabilities.

SB 901 provided the California Public Utilities Commission (CPUC) with additional criteria for conducting a reasonableness review of an Investor Owned Utility (IOU) when assessing liability upon application for cost recovery. However, the bill did not specifically define a "prudent manager" standard or provide specific direction for what this means for cost recovery in the event of an excess liability after a wildfire. We believe developing consensus around CPUC

standards for when and how an IOU is permitted to socialize its unfunded liabilities is a critical step forward. An additional issue of how to socialize utility wildfire liabilities has prompted discussions on whether and how to create a utility excess liability fund. We encourage serious consideration of such a funding mechanism. While there are many details to such an approach, we support this concept and how it might take form to provide greater certainty of process and protection for victims. Finally, we urge a renewed focus on safety with our IOU's. Timely review and regulation of emerging utility wildfire mitigation plans, starting with the Alsup orders, is a critical component of this issue and will work to protect against future events.

We remain committed to being an active participant in these discussions and responding to the Governor's challenge to develop the framework for a solution in the very near future. Should you have any questions regarding our position or our coalition, please contact Cara Martinson, CSAC Senior Legislative Representative at 916-327-7500, ext. 504, or cmartinson@counties.org.

cc: Members of the California Senate and Assembly