



**SB 901 – Conference Committee Report
Bill Summary
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Legal Protections – SB 901 protects victims, leaving the legal standard of inverse condemnation in place. The bill does not include any changes to trial court proceedings which consider damages for wildfire victims.

Funding – SB 901 includes \$1 billion in funding over five years from the Greenhouse Gas Reduction Fund (GGRF) for forest health, fires prevention and fuel reduction projects.

Mutual Aid & Safety Measures – SB 901 expands the mutual aid system so that it can be used more broadly for the advance placement of firefighters and equipment ahead of fires, enabling better preparation to tackle wildfires. The bill also includes additional requirements for utility wildfire mitigation plans, and their evaluation by and independent evaluator. These measures will enable us to be better prepared to fight wildfires, and help to lessen the severity of future events.

Forest Management & Regulatory Streamlining – The bill includes comprehensive streamlining of landscape and forestry management practices that will enhance fire prevention activities. Most notably, SB 901 provides a new Timber Harvest Plan exemption for landowners with no more than 100 acres; allows for the construction of up to 600 feet of temporary roads for the purposes of treating and thinning overstocked forests; includes contract extensions for certain biomass facilities; and, includes regulatory streamlining provisions for prescribed burns, thinning, or fuel reduction on federal lands.

2017 Wildfire Costs – SB 901 does not change the current reasonableness standard for the Public Utilities Commission (PUC) when determining utility cost recovery for 2017 wildfire expenses. However when determining cost allocation, the bill requires the PUC to consider the financial status of a utility – a “stress-test” – and determine the maximum amount the corporation can pay without harming ratepayers or impacting its ability to provide service. In addition, the bill requires the PUC to ensure that the debt the utility must pay does not exceed that maximum amount, essentially capping their debt to what they are able to pay. SB 901 allows a utility to securitize that debt (and any debt found to be from reasonable actions) and impose a surcharge on its customers that would be used to then sell long-term bonds to cover those costs. This mechanism will help to lessen the overall impact on ratepayers and keep our utilities financially stable. Low- income rate payers are exempt.

Future Cost Recovery– For future fires occurring on or after January 2019, utility companies would have their share of fault determined by the PUC using a number of additional factors for consideration, including climate conditions. The PUC “may” allow utilities to recover costs from ratepayers if their actions are considered to be reasonable, but they are not required to do so.

Executive Compensation – SB 901 restricts utility officer salaries, bonuses, benefits or other compensation from being rate-payer funded, and requires compensation to be funded solely by shareholders of a utility.

Commission on Wildfire Cost Recovery – The bill establishes within the Governor’s Office of Planning and Research the Commission on Catastrophic Wildfire Cost Recovery -- appointed by the governor and legislative leaders. The Commission will consider how to socialize costs from wildfires, among other issues.

Current Law for Utility-Caused Wildfire Cost Recovery

Current law allows the Public Utilities Commission (PUC) to pass through costs resulting from utility-caused wildfires onto ratepayers if the PUC determines, by a preponderance of the evidence, that the Investor-Owned Utility (IOU) actions were just and reasonable (authority derived from section 451 of the Public Utilities Code).

2017 Wildfire Cost Recovery Process

SB 901 does not change this process for the 2017 wildfires. If the PUC determines an IOU's actions were reasonable, those costs for non-negligent debt can be passed onto ratepayers.

SB 901 does include a new process specific to 2017 wildfires for the scenario in which the costs associated with unreasonable actions exceed an IOU's ability to pay. SB 901 includes a new requirement for a financial "stress test" of IOU's finances to determine how much they can afford to pay from shareholders before negatively impacting ratepayers, or their ability to provide service. The IOU will then be charged the maximum amount it can afford to pay before it's able to pass on any costs from negligence to rate payers. SB 901 allows IOUs to securitize this debt over time to lessen the impact to rate payers. SB 901 exempts low-income ratepayers from these charges.

Future Process for Cost Recovery

For future fires occurring on or after January 2019, IOUs would have their share of fault determined by the PUC using a number of additional new factors for consideration, including the IOU's compliance with new safety plans and conduct of the IOUs. The PUC "may" allow utilities to recover costs from ratepayers if their actions are considered to be reasonable, but they are not required to do so.