

## **Commission on Catastrophic Wildfire Cost and Recovery**

### **John Fiske- April 3, 2019 Testimony- Santa Rosa, California**

My name is John Fiske, and I represent wildfire victims in the 2015 Butte Fire, 2017 North Bay Fires, 2017 Thomas Fire, 2018 Woolsey Fire, and 2018 Camp Fire. I represent thousands of individuals and businesses, and I am lead counsel for the following public entities: Sonoma County, City of Santa Rosa, Napa County, City of Napa, Lake County, City of Clearlake, Mendocino County, Yuba County, Nevada County, Calaveras County, Butte County, Town of Paradise, Santa Barbara County, City of Santa Barbara, Ventura County, City of Ventura, and several special water and fire protection districts.

My comments today will focus on the interaction among IOUs, shareholders, wildfire victims, ratepayers, and the state during potential fund formation and access. It is important to note my clients are also ratepayers and taxpayers, in addition to wildfire victims.

I supplement my comments with a three-page handout outlining one conceptual model—it is one example of several models under consideration by several stakeholders.

Today, I will attempt to ask and answer three questions broadly:

1. How can IOUs contribute to a comprehensive fund in a way that balances shareholder and ratepayer interests?
  2. How and when should IOUs access these funds?
  3. How and when should IOUs reimburse funds?
- 
1. How can IOUs contribute to a comprehensive fund in a way that balances shareholder and ratepayer interests?

IOUs should contribute to a comprehensive fund in four ways.

First, IOUs should increase self-retention deductibles—for example, the first \$100 million of a wildfire liability. Increased deductibles incentivize prudent management of electrical assets and reduce burdens on ratepayers, who ultimately pay insurance premiums.

Second, IOUs should increase primary liability coverage—each IOU should carry a minimum of \$3 billion of wildfire coverage. Premiums on mandatory minimums should be supplemented by the state or shareholders to protect low-income ratepayers.

Third, IOUs should contribute initial capital borne by shareholders, not ratepayers. Initial capital would be in addition to state catastrophic bonds, tower insurance, and other funding mechanisms.

Fourth, IOUs can reimburse funds when drawn for negligent liabilities.

## 2. How and when should IOUs access these funds?

IOUs and wildfire victims should jointly petition the state to access funds. Victims can proffer threshold evidence, such as Cal Fire reports or findings, or other evidence, to qualify and justify fund access. The state should not require IOUs to admit fault or liability, as such would interfere with the usual and customary civil, criminal, and regulatory processes, and therefore make fund access impractical and inefficient.

IOUs should have access to funds no later than two years from the date of the fire. Most personal insurance policies offer coverage called “alternative living expenses,” or “ALE.” ALE provides wildfire victims money for alternative housing. Most ALE

coverage expires within two years after the date of the fire, after which families are left without financial support.

Public entities need funds for urgent public works and infrastructure projects, such as water systems, roads, parks, bridges, stormwater culverts, soils, and land rehabilitation.

Thus, an IOU should have access to such funds well in advance of the two-year anniversary of the fire to help communities rebuild.

### 3. How and when should IOUs reimburse funds?

Shareholders should reimburse funds if IOUs are found negligent. To the extent the fund includes state, taxpayer, or ratepayer resources, such funds should not subsidize negligent liabilities in a manner inconsistent with current CPUC socialization policy.

However, the standard for CPUC socialization should be clear and congruent with current civil law. Lack of clarity in CPUC's standard creates uncertainty for IOUs and investors. One suggestion is to match CPUC standards with current civil law to provide such congruence.

Should the CPUC find that an IOU did not act negligently, socialization would be appropriate under California law, and thus shareholders would not bear the burden of reimbursement.

### Conclusion

Certainly, five minutes is not enough time to complete this conversation, but I hope some of my comments help guide this commission to protect wildfire victims when contemplating funds concepts. By contrast, trying to eliminate wildfire victims' constitutional property rights will not fix this problem, but only exacerbate an intense political fight, preventing cooperative progress towards real solutions.

However, it is important to conclude with the reminder that the only way to eliminate market uncertainty, insurance strain, victim devastation, taxpayer waste, and ratepayer increases, is to prevent utility-caused wildfires from happening at all. An ounce of prevention is worth a pound of cure, and any comprehensive statewide plan must include de-energizing policies, recloser policies, compliance with current vegetation management laws, and hardening of current, aging infrastructure.

I am happy to answer any questions the commission may have, and I thank you for your time.