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April 22, 2019

Sent via email to:
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Commission on Catastrophic Wildfire Cost and Recovery

Commissioner Carla Peterman, Chair
Commissioner Dave Jones
Commissioner Michael Wara
Commissioner Michael Kahn
Commissioner Pedro Nava
Executive Officer Evan Johnson

Re: Comments of the California Farm Bureau Federation in Response to Commission on Catastrophic Wildfire Cost and Recovery Request for Comment

Dear Commissioners:

The California Farm Bureau Federation[1] ("Farm Bureau) appreciates the opportunity to provide input into your process to examine issues related to wildfires associated with utility infrastructure, and to produce recommendations on changes to law that would ensure equitable distribution of costs among affected parties. Our members throughout the state have been affected directly and indirectly by the wildfires, both as ratepayers and as residents of impacted communities. As residents of the communities facing consequences from past wildfires and preparing for future wildfires, Farm Bureau members appreciate the magnitude of the problems facing the state and the need to carefully craft solutions that appropriately address identified deficiencies in how current mechanisms operate to ensure the various affected interests are not impacted disproportionately.

In these comments Farm Bureau focuses on three areas raised by the questions presented: 1) implications of changes to the current wildfire liability regime; 2) the need for continued focus on improving forest health and eliminating fuels in woodlands and

[1] The California Farm Bureau Federation is the state's largest farm organization, working to protect family farms and ranches on behalf of its nearly 36,000 members statewide and as part of a nationwide network of more than 5.5 million members. Organized 100 years ago as a voluntary, nongovernmental and nonpartisan organization it advances its mission throughout the state together with its 53 county Farm Bureaus.

forests; and 3) the importance of a broad scope of funders to solve the cost impacts to reduce dependence on electric ratepayers.

Changes to the Current Wildfire Liability Regime

Farm Bureau appreciates the multitude of recommendations the Commission has received for the remedy of the current situation faced by utilities, wildfire victims, residents of areas vulnerable to wildfires, insurance companies and others impacted by current circumstances. While Farm Bureau does not have any additional recommendations, it strongly supports the imperative that any recommended revision to existing liability structures be carefully considered to understand the consequences of the changes as recognized in Question 1b. Even under the current processes, our members residing and operating businesses in high fire threat areas face rising insurance costs and limited availability of insurance. Before any new scenario is adopted, a thorough vetting is needed to ensure that the impacts to residents throughout the state are well understood and the unintended consequences kept to a minimum.

Because there will continue to be fires, some of which may be related to utility infrastructure, a certain level of damages must be anticipated. Although changes in the liability construct cannot alter the reality that wildfire is a natural phenomenon, any changes will affect who bears the responsibility of the costs. The due diligence for understanding the consequences cannot be compromised.

Forest Health

Farm Bureau is concerned that as important as the focus on liability and funding mechanisms is, that focus may eclipse the importance of improving forest health and resiliency and decreasing the fuel loads that have accumulated in the high fire threat areas due to decades of fire suppression and limited forest management. Creation of funds and other mechanisms risk the development of a false sense of security that once they are implemented the need for resource management imperatives are reduced. While SB 901 will provide $1 billion over the next five-years, the State has not committed any funding beyond FY 2023-24. With statewide management goals of treating 500,000 acres annually, roughly 25 million acres of California wildlands are now classified as very high or extreme fire threat.[2] Should California meet that treatment goal, it will take 50 years to treat all 25 million acres, without factoring in the costs associated with retreatment/regrowth of ladder fuels in the landscape.

No matter how many changes are made, natural events can quickly eclipse the solutions without concerted efforts at resolving the fuel saturated forests. Such was the message conveyed by Steven Weissman with respect to the implications from potential liabilities from wildfire costs: "…that the answer really lies in more aggressively and comprehensively working to reduce the intensity of the wildfires that are inevitable – and

[2] Wildfires and Climate Change: California's Energy Future. A Report from Governor Newsom's Strike Force, April 12, 2019. Page 6.

that's going to, I think, require a top-down managed approach by the state in coordination with local governments."[3]

Both manmade and natural factors have combined to place California forests and wildlands in their current condition, exacerbating the intensity and scope of wildfires. The need for active forest management has been seen all too vividly in recent years. Excessive vegetation density, an overabundance of smaller trees and underbrush, and unprecedented tree mortality will continue if actions to improve forest health are not pursued. Decades of active management and ongoing funding will be needed to reverse problems exacerbated by regulatory constraints, lack of funding and decades of fire suppression. CAL Fire recently recommended a suite of actions to maximize safety and improve forest health, including the identification of more than 30 strategically defined local projects that can be addressed urgently in partnership with communities to make a difference this wildfire season.[4]

The Commission's support of such efforts, along with the focus on liability, insurance and financing mechanisms, will assist in maintaining the momentum from state government to find solutions to California's wildfire and forest-management crises. SB 901 not only addressed utility related wildfire issues but was also the most comprehensive legislative proposal related to wildfire prevention, fuel reduction, and forestry policies. It is to everyone's benefit to continue the recognition that the issues are related.

It is hoped that the recent announcement by the California State Board of Forestry and Fire Protection and CAL Fire to expedite forest-management projects and prescribed burns, by creating a single, streamlined environmental-review process for activities conducted on private land will facilitate the efforts being considered here. Regulatory streamlining for environmental reviews is not an entirely new concept, but it's imperative that California state agencies begin to carefully examine the current condition of our forested landscapes and move expeditiously, both to protect Californians from wildfires and to protect our forests from further environmental damage. While California's environmental regulations have served to protect the vast and pristine natural resources of this state, these same, and sometimes inflexible regulations, are now preventing environmentally restorative projects and risk public health and safety.

Vegetation management is broader than the programs presented by the utilities and can also consist of activities such as prescribed fire, mechanical and manual thinning, grazing and the targeted ground application of herbicides—all intended to alter landscape fuels and reduce the size, intensity and frequency of wildfire. Such vegetation management is a wildfire-prevention strategy that complements other fuel-reduction projects conducted by the federal government, local governments and individual

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[3] KQED, The California Report, Utility Expert: Electricity Rates Will Skyrocket If California Doesn't Curb Wildfires, Marisa Lagos, April 10, 2019.

[4] Community Wildfire & Mitigation Report (In response to Executive Order N-05-19) dated February 22, 2019.

Californians who practice and maintain defensible space, or who have invested financially by retrofitting their homes with more wildfire-resilient construction. Farm Bureau supports complementary efforts to address the issues sought to be solved and urges support by all policy makers engaged in developing solutions for the state's wildfire related crisis.

<u>Rate Impacts Demonstrate Ratepayers Cannot Be the Funders of Last Resort for Wildfire Cost Remedies</u>

Through its participation in California Public Utilities Commission rate proceedings on behalf of its members, Farm Bureau continually assesses the effects from the steady rise of costs in the electric rates to agricultural operations. The implications from the myriad discussions about wildfire policies on those costs demands careful scrutiny because of the multiple levels of costs that potentially place unprecedented pressure on rates. In the past ratepayers have been expected to absorb many of the costs associated with catastrophic events, but in the case of the recurring wildfires the tipping point has been reached such that ratepayers can no longer be the sole funders. As remedies are considered, the scope of participants in any solution must continue to be broadly considered.

Currently, the electric costs for agricultural customer classes served by California's investor owned utilities are typically twice as much as the costs per kWh in neighboring western states. That assessment is based on data derived from FERC Form 1 information through comparisons with utilities in other regulated markets with agricultural rate schedules similar in scope to California rate constructs. The cost comparison underscores these ratepayers cannot support further extraordinary rate increases. Since agricultural producers are price-takers and cannot set their own prices, the cost discrepancy undermines their ability to compete in regional markets. Growing electricity prices are just one input that California producers face. A 2018 published case study[5] revealed the costs of regulatory pressure in our state. Between 2006 and 2017 the costs of regulatory compliance increased by 795% for the grower who was the subject of the study.

It is very revealing to consider the utilities' current revenues in comparison to potential wildfire related costs. For example, PG&E's projected 2019 revenue at present rates of $12.7 billion (shown in a recent CPUC filing) establishes an important benchmark against which to measure the impact to ratepayers of projected wildfire damages that have already occurred. With wildfire damages in the range of billions of dollars the costs to ratepayers can double absent careful oversight. As remedies for the wildfire crisis are considered, the current revenue requirement also informs how much ratepayers should appropriately contribute to the establishment of funds for management of future wildfire damages. And rate costs from anticipated liabilities for wildfire damages are only one aspect of the rates. Being considered in parallel are the near-term drivers of costs like

[5] A Decade of Change: A Case Study of Regulatory Compliance Costs in the Produce Industry, Lynn Hamilton and Michael McCullough, Cal Poly, San Luis Obispo, December 15, 2018.

vegetation management, increased inspections of utility infrastructure and other preventative measures that are expected to continue in future years. Overlaying increased operation and management expenses are costs from capital investments that will be included for multiple years.

Without a clear path to broaden the scope of funders beyond ratepayers, agricultural electric customer costs could easily become three to four times higher than neighboring western states.

Farm Bureau appreciates the extensive examination by the Commission of the potential impacts for redefining the equitable distribution of wildfire costs among affected parties and the opportunity to provide information as solutions are considered.

Very truly yours,

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