TURN
THE UTILITY REFORM NETWORK
Lower bills. Livable planet.

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Catastrophic Wildfire Cost & Recovery Commission TURN Analysis of Ratepayer Impact

What the Commission Gets Right—To Protect Ratepayers

Inverse Condemnation Reform

TURN supports the Wildfire Commission's recommendation to replace the strict liability standard application of inverse condemnation for utilities with a fault–based negligence standard—as long as current standards for determining negligence remain in place.

We agree that converting the strict liability regime to a fault–based standard protects ratepayers from potentially paying billions of dollars in wildfire damage in cases where the utility has been found to be prudent and in compliance with the required safety regulations.

Wildfire Victims Fund

TURN supports the Wildfire Commission's recommendation to create a diversely funded Wildfire Fund to cover living expenses and property repair or replacement for victims whose homes and possessions have been damaged or destroyed by wildfires.

We agree that a Wildfire Fund that is properly capitalized from utility shareholders, property insurance surcharges, insurance shareholders, and taxpayers can equitably protect ratepayers from the application of strict liability, stress test liability caps on shareholders, and other wildfire liability.

What Needs to Be Changed—To Protect Ratepayers

Raise Standards for Utility Performance–Don't Lower Them

TURN opposes the Wildfire Commission's recommendations to further reduce the standards for utility performance by weakening the prudent manager standard, setting a predetermined maximum liability for shareholders, or shifting the burden of proof for demonstrating prudent management from utilities to ratepayers.

If anything, it was the longstanding prudent manager standard that motivated SDG&E to develop model wildfire mitigation strategies after the 2007 wildfires.

We are convinced that reducing the standards for prudent utility conduct will undermine utility motivation to reduce wildfires. Raising expectations for utility performance in preventing wildfires is the only sure strategy to reduce the threat posed by unpredictable wildfire liability.

Hold Utilities Accountable for Reducing Catastrophic Wildfires

TURN believes that the Wildfire Commission's report failed to focus on policy changes needed to hold utilities accountable for preventing catastrophic wildfires from starting and spreading in the first place. While acknowledging the importance of not "incentivizing risky behavior" among residents like moving into fire-prone areas, remaining uninsured, or neglecting home hardening, the Commission failed to identify strategies to reduce criminal and other unacceptable behavior perpetrated by utilities.

The fundamental solution to the wildfire liability crisis lies in reducing utility-caused wildfires. If catastrophic wildfires continue or increase in number, there will be no amount of inverse condemnation reform, weakened utility prudence standards, capped shareholder liability, wildfire insurance fund proceeds, or ratepayer money that will be enough to pay for wildfire damage. If wildfires are significantly reduced in frequency and magnitude, liability solutions become much easier.

What Policymakers Need to Do—To Protect Ratepayers

Protect Utility Ratepayers from Wildfire Liabilities Costs

California ratepayers are in the midst of a utility bill affordability crisis. High energy bills resulted in 886,000 California households being shut off by PG&E, SCE, SDG&E and SoCal Gas in 2018.

California ratepayers are already paying higher bills for wildfire mitigation, and face several billion dollars of further increases for enhanced tree trimming, covered conductors, insulated wires, and replacing poles and towers. Expiring ratepayer obligations for DWR bonds should be used to pay for these needed measures, not to capitalize a Wildfire Victims Fund.

Let Ratepayer Advocates Speak for Ratepayers—Not Wall Street

Since the beginning of 2018, Wall Street firms and rating agencies have traveled from New York regularly to visit state legislators and regulators, rattling their sabers about how "uncertainty" over who pays for wildfire imprudence would hurt ratepayers through a higher cost of capital. While the concern expressed for ratepayers by investors may sound well-intentioned, it is disingenuous and wrong. Behind the double-speak, the Wall Street message boils down to this: the more people killed and homes destroyed because of utility imprudence, the higher the utility's profits. Obviously, this is not the way the CPUC has set profit levels in the past, nor should be expected to set them in the future.

If you want to find out how a wildfire policy proposal impacts ratepayers, don't trust Wall Street investors or rating agencies as a reliable source. Ask ratepayer advocates, such as TURN, who have represented the interests of ratepayers for nearly 50 years. We stand ready to be a resource to provide policy expertise on ratepayer impact on all wildfire-related proposals.

Thank you for your consideration,

Mark Toney

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