California’s new wildfire plan

BY **JULIE CART** / CALmatters

You will be forgiven for having the impression that California lawmakers have been talking about comprehensive wildfire legislation forever, when it has only been days since the new bill ricocheted from the Assembly to the Senate and back again. Gov. Gavin Newsom signed it on July 12, less than a week after the first elected official cleared his throat to introduce the package.

ISN’T THIS JUST A BAILOUT FOR CALIFORNIA’S BIG UTILITIES?

Kinda. One way to look at it is that the financial health of ratepayers, wildfire victims and utilities are intertwined. The first two groups need utility companies to maintain a beating heart in order to stave off higher electricity bills or to prevent being left high and dry after a utility-caused fire. So there’s some mutual self-interest at work here.

The law sets a June 30, 2020 deadline for the state’s largest utility—Pacific Gas & Electric Co.—to emerge from bankruptcy, and requires that it settle with victims from 2017-18 fires it caused before it can participate in other aspects of the state plan.

That timeframe was meant for an audience of one: Dennis Montali, the San Francisco judge presiding over PG&E’s bankruptcy case. Bankruptcy proceedings are notoriously thorny and can drag on for years. Lawmakers are hoping that the judge will see the law as providing the possibility of resolution and a way forward for the state’s largest utility—and thus accelerate the legal process.

WHAT ABOUT THE WILDFIRE VICTIMS’ FUND? HOW DOES THAT WORK?

Actually the companies can choose between two proposed options. In either case, fire victims are compensated by the utilities, via the fund. One is called a liquidity fund, and it establishes a $10.5 billion line of credit for utilities to draw from to cover fire costs that exceed their insurance coverage.

If the company is later found to have improperly operated its equipment, it must pay back the amount it took out. The second option is called an insurance fund. The fund will hold at least $21 billion, with half coming from the utilities and half from ratepayers from an existing state fund. (Ratepayers have been kicking in $2.50 a month for the fund, an amount that was set to expire.)

PG&E is barred from participating in either fund until it emerges from bankruptcy and all companies must comply with other requirements such as linking executive compensation to their firm’s safety record.

WILL THIS POT OF MONEY HELP WILDFIRE VICTIMS?

In theory.

Without question, $21 billion is a lot of money. But keep in mind that, given the ever-increasing frequency, size, intensity and destructiveness of fires in California, the price tag to make victims whole is likewise exploding.

Consider, too, that PG&E alone estimates its liability for the most recent fires is in the neighborhood of $30 billion. So, it’s an open question how long even a fund as large as that will remain intact.

WHAT DOES ANY OF THIS HAVE TO DO WITH PREVENTING OR CONTAINING FIRES?

Yes, it seems as if there’s a lot about liability and bankruptcy but not much that speaks to the business of preventing or putting out wildfires.

The law requires the three big investor-owned companies to spend $5 billion to fireproof their equipment. They had already pledged to spend $3 billion in that effort, and that work can have a real impact. That’s things like insulating transmission and distribution lines, clearing trees and brush around equipment, replacing wooden power poles with steel or composite ones and placing protective covering over some infrastructure.

So that’s a big deal because so-called utility hardening projects can make it less likely that animals, wind or tree limbs will interfere with power equipment and spark fires.

And, for the first time, the state is requiring utilities obtain a safety certification, setting a standard for safe and responsible operation. □

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