December 12, 2025 Submitted via email at: SB254Input@calquake.com

Tom Welsh, Chief Executive Officer
California Earthquake Authority
400 Capitol Mall, Suite 1200
Sacramento, CA 95814

RE: Submission of Interest for SB 254 Natural Disaster Resiliency Study

Dear Mr. Welsh,

On behalf of the California State Association of Counties (CSAC), Rural County Representatives of California (RCRC), and League of California Cities (Cal Cities) (hereinafter referred to as the Joint Local Governments), we submit this proposal for consideration in response to the call for contributions issued pursuant to the Senate Bill 254 (Becker) (Chapter 119, Statutes of 2025). Attached to this cover letter are our contributions on our priority topics where our organizations have a long history in representing the perspectives of local governments in California on behalf of the state's 58 counties and 483 cities. Below are the recommendations in the attached submission under three priority topic areas:

1. **Accessibility and affordability of property insurance in California in light of the accelerating costs of climate change-induced and other natural catastrophes.**
    - Recommendation: The state must establish a more robust method of auditing the insurers' wildfire risk portfolios to analyze where and what types of properties are being covered.
    - Recommendation: The state must shift to a public catastrophe model, rather than individual proprietary models created by private companies with limited transparency; this would ensure risk is not overstated and mitigation is properly understood and accounted for.
    - Recommendation: The state should create a community-wide wildfire risk reduction certification program in California. The state certification program should be applied in high-fire risk areas and aligned with modernized catastrophe models to help secure more reliable and affordable insurance coverage in these high-fire risk areas.
    - Recommendation: Property-level and communitywide wildfire risk mitigation efforts must be accounted for in insurance rates and formalized in an update to the Safer from Wildfires regulations, including the addition of noncombustible construction materials utilization and the implementation of the 5-foot ember-resistant zone.

- Recommendation: Insurers should be required to cover homeowners who properly mitigate wildfire risk by complying with state home hardening and vegetation management requirements.

2. **Additional mitigation measures and technology solutions to reduce the risk of ignition of wildfires.**
    - Recommendation: We support a multi-pronged approach to harden electrical infrastructure, increase vegetation management, improve defensible space compliance, and invest in parcel, community, and landscape-scale wildfire risks reduction projects.
    - Recommendation: Utilities must invest in system hardening, including deployment of covered conductors, undergrounding (where cost-effective and appropriate), and system segmentation to better manage and reduce utility caused wildfires, while preserving and enhancing energy reliability (including reduced PSPS or EPSS events).
    - Recommendation: Utilities must also continue to deploy remote grids and microgrids.
    - Recommendation: The state must continue its significant Greenhouse Gas Reduction Fund investments in forest health improvement and wildfire risk reduction activities.
    - Recommendation: California must also improve its permitting processes to reduce project delivery timelines in order to realize the state's goals of increasing the pace and scale of fuel treatment. Permit delays, including compliance with the California Environmental Quality Act (CEQA), can have catastrophic consequences on proactively protecting communities and cities from wildfire impacts.
    - Recommendation: California's Vegetation Treatment Program (CalVTP), to streamline the CEQA process for certain fuels treatment projects, should be expanded to include vegetation management projects conducted by all local agencies, including in local responsibility areas (LRAs).
    - Recommendation: Permitting processes under the Department of Fish and Wildlife, pursuant to the Endangered Species Act (ESA), must also be streamlined to ensure timely issuance of permits for these projects to be accelerated.
    - Recommendation: Utilities must continue their vegetation management programs and must remove cut fuel from the forest floor. If concerns over vegetation management cost remain, consider further evaluation on the impact of such programs on utility ratepayer bills.
    - Recommendation: We recommend a stronger framework be established for construction in fire prone areas that balances the demand for continued housing production and the need for more fire-wise planning and development, specifically establishing a wildfire risk reduction standard for

permitting and construction in the VHFHSZ (SRA and LRA), based on development size.

- Recommendation: The state must also work to reduce the risk and intensity of fires by reducing fuel loads, improving forest health, and returning forests to historic densities through the development of a comprehensive statewide strategic wildfire mitigation plan.

3. **An analysis of the potential benefits and potential negative impacts on homeowners related to reasonable limitations on changes to recoveries in wildfire litigation arising from ignitions caused by electrical or gas utility infrastructure, including, but not limited to, restrictions on the recovery of attorney's fees, limitations on economic and noneconomic damages, including claims by insurers, limitations on public entity claims, limitations on claims by those outside the fire perimeter, and aggregate limitations on liability per event.**
    - Recommendation: Governmental entities suffer losses to critical public safety and public works infrastructure, as well as losses to taxpayer resources across critical departments and services when faced with rebuilding following catastrophes. Any attempt to reduce the ability for governmental entities to recover damages (or limiting the total amount of damage recoverable per event) would have devastating consequences on community rebuilding and restoration. For these reasons, we must strongly oppose any efforts to limit recovery by public agencies. We similarly oppose efforts to limit aggregate liability per event.
    - Recommendation: We oppose attempts to change inverse condemnation for investor owned utilities. Utilities must not be allowed to pass off liability to other entities and reduce the amount of award victims would receive. Victims of fires, including local agencies, have a right to receive just compensation for damage incurred. Local governmental entities rely on inverse condemnation to fairly and efficiently recover these losses in coordination with state and federal agencies, which must be preserved.
    - Recommendation: We support efforts to evaluate trends and common practices with respect to the recovery of attorneys' fees in wildfire-related actions.
    - Recommendation: We generally support efforts to expedite the processing of wildfire claims, but we share stakeholder concerns that fast-track processes may leave some victims short-changed because of problems with damage calculations, disregard of unique circumstances, or inadequate appeals processes.
    - Recommendation: We are very concerned about the consequences and caution changes that would limit claims by entities outside the fire perimeter.

Please do not hesitate to contact us should you have further questions or interest in the topics covered in our submission. Our organizations are vested in the outcomes that will be derived from your study, and we are available as a resource in your continued efforts on this directive.

Sincerely,

John Kennedy
Senior Policy Advocate
Rural County Representatives of California

Jordan Wells
Legislative Advocate
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Melissa Sparks-Kranz
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Submission of Interest

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1. **Accessibility and affordability of property insurance in California in light of the accelerating costs of climate change-induced and other natural catastrophes.**

On September 30, the California Earthquake Authority (CEA) solicited contributions from stakeholders on a variety of topics related to measures that "protect access to insurance, reduce litigation costs, provide fair and expeditious compensation to claimants, support wildfire and natural catastrophe mitigation, safety, and community resilience, and ensure large electrical corporations are accountable for safety and also have the financial health to attract low-cost capital on behalf of ratepayers."

Among other topics, the CEA requested input on "accessibility and affordability of property insurance in California in light of the accelerating costs of climate change-induced and other natural catastrophes."

The California State Association of Counties (CSAC), Rural County Representatives of California (RCRC), and League of California Cities (Cal Cities) (hereinafter referred to as the Joint Local Governments) collectively represent local governments across the state that play a vital role in protecting communities from climate change-induced and other natural catastrophes.

Current catastrophic modeling insurance regulations in California provide flexibility to insurers which allows them to choose how and where they comply with their earned exposure commitment. This remains a major concern as insurers are filing their initial rate increase requests to comply with the requirements and using the flexibility to circumvent the spirit of the regulations. The regulations have resulted in the unintended consequence of leaving the most at-risk communities without insurance availability, even if insurers have technically met their requirements.

In order to ensure that Californians across the state have the opportunity to obtain affordable coverage in the admitted market, we recommend that the state establish a more robust method of auditing the insurers' wildfire risk portfolios to analyze where and what types of properties are being covered. This would promote vital transparency and ensure that certain areas and structure types are not left without affordable coverage. A public catastrophe model, rather than individual proprietary models created by private companies with limited transparency, is preferred to ensure risk is not overstated and mitigation is properly understood and accounted for. In addition, sharing risk models with residents and communities is critical so that they can respond with appropriate mitigation efforts to further reduce risk and subsequently, insurance premium costs.

In addition, there is currently no community-wide wildfire risk reduction certification program in California. While coverage under the Firewise USA program currently qualifies homeowners for discounts under the state's Safer From Wildfires regulations, the discounts are often negligible and do not compensate for the incremental increases that property owners are paying for coverage in high wildfire risk areas. A state certification program could be applied in high-fire risk areas and aligned with modernized catastrophe models to help secure more reliable and affordable insurance coverage in these high-fire risk areas.

Property-level and communitywide wildfire risk mitigation efforts must be accounted for in insurance rates and formalized in an update to the Safer from Wildfires regulations, including the addition of noncombustible construction materials utilization and the implementation of the 5-foot ember-resistant zone. This includes increasing the visibility of these mitigations and ensuring that mitigation investments are properly accounted for and reflected in insurance rates. Furthermore, insurers should be required to cover homeowners who properly mitigate wildfire risk by complying with state home hardening and vegetation management requirements.

2. **Additional mitigation measures and technology solutions to reduce the risk of ignition of wildfires.**

On September 30, the California Earthquake Authority (CEA) solicited contributions from stakeholders on a variety of topics related to measures that "protect access to insurance, reduce litigation costs, provide fair and expeditious compensation to claimants, support wildfire and natural catastrophe mitigation, safety, and community resilience, and ensure large electrical corporations are accountable for safety and also have the financial health to attract low-cost capital on behalf of ratepayers."

Among other topics, the CEA requested input on "additional mitigation measures and technology solutions to reduce the risk of ignition of wildfires and limit the spread of damage from wildfires, including ideas for new programs, improved state and local

catastrophic event response capability, home fire risk reduction standards, vegetation management practices, and communitywide wildfire hardening requirements."

California is experiencing increased catastrophic wildfires and our members support efforts to reduce the risk of and slow the spread of wildfires through preventative action. We support efforts to harden electrical infrastructure, increase vegetation management, improve defensible space compliance, and invest in parcel, community, and landscape-scale wildfire risks reduction projects.

The Rural County Representatives of California (RCRC), California State Association of Counties (CSAC), and League of California Cities (Cal Cities) (hereinafter referred to as the Joint Local Governments) have been engaged in legislative, regulatory, and local efforts to reduce the risk of wildfire ignition for both utility and non-utility caused wildfires, enhance home and community hardening, and increase the pace and scale of fuel reduction projects, including through vegetation management. It is extremely challenging to distill the years of work the Joint Local Governments have engaged in before various state and federal regulatory agencies, the California Legislature, and United States Congress and so we look forward to additional conversations to dive deeper into the weeds on these issues.

California Must Pursue A Multi-Pronged Approach for Wildfire Risk Reduction Strategies

Given the magnitude and severity of California's wildfire experiences over the last few decades, it is important that California not limit itself to a single response pathway. For example, California cannot rely on home hardening alone, but must pair extensive investments in home and community hardening with significant increases in the pace and scale of forest health improvement and fuel reduction projects, hardening of utility infrastructure (especially in high fire risk areas), and deployment of newer technologies to guard against wildfire ignition. Similarly, California cannot settle on deenergization as its sole wildfire prevention tool, but must harden utility transmission and distribution systems and rely on proactive or reactive power shutoffs only as a last resort to prevent fires.

Utility Wildfire Mitigation Measures and Technology Solutions

California must continue to reduce the risk of wildfire ignition.

On the local level, local governments and the state are working to reduce the risk of accidental ignitions by imposing restrictions on recreational fires during high risk periods, increasing public education, and restricting activities that could create sparks that ignite wildfires, and improving planning, community design, and vegetation management standards to reduce the risk of ignitions from populated areas. Local governments are undertaking projects to reduce roadside vegetation that could ignite from vehicle sparks, as well as working collaboratively with state and federal land managers through Good

Neighbor Authority and other stewardship agreements to undertake community fuel breaks and larger landscape-level fuels treatment projects.
Unfortunately, California's electrical utilities have caused some of the most devastating and destructive wildfires in the nation's history. As a result, California has substantially increased its oversight of regulated utilities to improve the safety of their operation and management. Utilities (and their ratepayers) should be acknowledged for the substantial investments they have made (and continue to make) to improve the safety of their transmission and distribution systems, thereby reducing the risk of future wildfire ignitions.

Utilities must invest in system hardening, including deployment of covered conductors, undergrounding (where cost-effective and appropriate), and system segmentation to better manage and reduce utility caused wildfires.

Initially, utility ignition reduction efforts focused on simply turning off electricity through the use of public safety power shutoff (PSPS) events. In a PSPS event, utilities proactively deenergize large numbers of circuits during periods with high winds, low moisture content, and/or high temperatures. These events left millions of Californians without power for multiple days at a time (some for over a week) and created tremendous economic and public safety consequences, especially for lower-income and medically vulnerable residents. Our organizations worked with the California Public Utilities Commission to establish better protocols for the use and mitigation of impacts from PSPS events. But these microgrids are limited to use during PSPS events and are not energized during other types of outages, including those discussed below.

There has been a significant reduction in the number, duration, and scope of PSPS events over the last several years (with more recent increases in utilization by Southern California Edison); however, PG&E has generally replaced the use of proactive PSPS events with reactive Enhanced Powerline Safety Settings (EPSS) that shut off power along a circuit instantaneously when something comes into contact with a powerline. There have been over 2,000 EPSS outages in PG&E's service territory each of the last several years, with some circuits seeing 30 outages in a single year and/or up to 9 outages in a 30-day period. While EPSS outages are typically shorter in duration, they can often last several hours to a full day, and are unplanned (so occur without warning). Their frequency often has a dislocating impact on local economies, quality of life, and public safety. While there have been some improvements to reduce the number of outages on some circuits, many circuits continue to experience 20+ outages year after year after year with no end in sight. Ideally, utilities will either install covered conductors or underground powerlines on those circuits that experience the greatest number of disruptions, but it is not clear that there is a plan for these mitigating activities in these specific areas.

Local residents increasingly fear that power shutoffs will simply become a way of life, perpetuating a two-California system where some areas have energy reliability and others

do not. These fears are not without merit, as the state seems more and more interested in finding the lowest cost opportunities for reducing wildfire risk without regard for energy reliability. While some organizations like TURN shockingly that "many ratepayers may prefer temporary service interruptions over continued cost escalation", such sentiments ignore the fact a majority of those ratepayers who benefit from the reduced costs of simply shutting off the power (thereby avoiding investment in system hardening that preserve reliability) are those who are least likely to bear the burden of regular power outages. Simply shutting off electricity to wide swaths of the state is cheaper than investing in long-delayed grid improvements that should have been taking place over the last several decades. This cannot be tolerated as a long-term solution. It should also be noted that declining energy reliability also inhibits the state's achievement of its bold vehicle and building electrification efforts.

For these reasons, it is vital that utilities continue to invest in replacing bare wires with covered conductors, which are far less likely to cause a fire if something comes into contact with the powerline. While much more expensive than installing covered conductors, utilities should also continue efforts to underground powerlines where feasible and cost effective, as undergrounding provides a much more durable solution that can reduce ancillary maintenance costs like vegetation management. These improvements will help reduce wildfire risk while preserving and enhancing energy reliability.

Utilities should also continue to deploy remote grids and microgrids. Investor-owned utilities have started decommissioning power lines to remote clusters of residents and instead providing service through isolated remote grids. These projects maintain system reliability while eliminating the risk associated with long powerlines traversing fire-prone areas (and the need to conduct regular vegetation management along those corridors). Utilities have also deployed microgrids to preserve power for a core cluster of residents in some areas during larger power outages. While some of these efforts have focused on enabling operation of microgrids during PSPS events, utilities must also facilitate their use during the much more frequent EPSS or Fast Trip Outages.

In general, the Joint Local Governments support utility efforts to harden the power grid and reduce wildfire risk. The Joint Local Governments generally support the use of PSPS and Fast Trip outages as interim solutions to prevent wildfires until other system improvements can be implemented, but we strongly oppose those programs becoming anything other than a last line of defense, as we have seen a tremendous reduction in energy reliability over the last several years, which increases local public health, safety, economic, and quality-of-life challenges.

Expediting Fuel Reduction and Forest Health Improvement Projects

California's increased wildfire risk is due to decades of forest mismanagement and exacerbated by the impacts of climate change. Generational focus on fire suppression and

restrictions on fuel reduction have led to a massive increase in tree density far beyond historic sustainability. Combined with drought, this has led to massive tree mortality events causing the deaths of over 100 million trees, which increases the fuel load and exacerbates the risk of catastrophic wildfire.

The California Air Resources Board, in its most recent update of the AB 32 Scoping Plan, recommended that we treat 2.3 million acres of forest and wildlands across the state annually to truly achieve California's ultimate climate reduction goals. However, completing forest resilience projects involves a large group of permitting entities that must comply with a dense web of sometimes conflicting legal requirements. This complex regulatory framework frequently causes months of delay. While the state has undertaken many actions to improve firefighting capabilities and reduce wildfire risk, much more work is necessary.

The state must continue its significant Greenhouse Gas Reduction Fund investments in forest health improvement and wildfire risk reduction activities. These funds have been transformative in starting to address the massive backlog in fuel reduction projects that are needed to create and maintain fuel breaks and protect communities and cities from catastrophic wildfires.

California must also improve its permitting processes to reduce project delivery timelines in order to realize the state's goals of increasing the pace and scale of fuel treatment. Permit delays, including compliance with the California Environmental Quality Act (CEQA), can have catastrophic consequences, as seen when the town of Berry Creek was destroyed by a wildfire while waiting for the state to complete CEQA review associated with an $836,000 fuel management project. With seasonal weather constraints, even a few months delay in obtaining the requisite permits can delay a project deep into the following calendar year.

California's Vegetation Treatment Program (CalVTP) was developed to streamline the CEQA process for certain fuels treatment projects. However, the program has proven burdensome for local agencies in many instances, with project managers sometimes opting to use the more familiar CEQA permitting structure. The CalVTP should be expanded to include vegetation management projects conducted by all local agencies, including in the local responsibility areas (LRA). California has recently established several additional CEQA exemptions for wildfire fuel reduction projects, but has also consistently rejected efforts to streamline CEQA review for projects to create vital community egress route improvements because of concerns expressed by the Department of Fish and Wildlife and environmental organizations related to protecting wildlife habitat and development in fire-prone areas, rather than facilitating issuance of timely permits which could ultimately result in cleared evacuation routes in the event of an emergency. Permitting processes under the Department of Fish and Wildlife, pursuant to the Endangered Species Act (ESA), must be streamlined to ensure timely issuance of permits for these projects to be accelerated (as

has been proposed in prior legislation including AB 2330 (Holden) from 2024 and AB 846 (Connolly) in 2025).
The Joint Local Governments strongly support continued investments in forest health and wildfire fuel reduction projects and improvements to the permitting and CEQA and environmental permitting processes to quickly reduce wildfire risk.

Utility Vegetation Management

While utilities pursue system hardening work like undergrounding, installing covered conductors, and deploying automatic shutoff devices, it remains imperative that they continue their vegetation management programs.

Covered conductors will significantly reduce the risk of ignition when something comes into contact with a powerline, but it is still important for utilities to conduct regular vegetation management to prevent larger branches and danger trees from coming into contact with the lines. Similarly, much of the undergrounding being discussed does not include smaller distribution lines and connections to individual customers. While these lines are lower in voltage, utilities cannot abandon their vegetation management activities in undergrounded areas because of the residual risk posed by those remaining aboveground lines. Vegetation management is just as important when utilities deploy Fast Trip systems, as power will be shut off each time a branch or animal comes in contact with the powerline. To preserve system reliability, it is crucial that utilities work to minimize the risk of power disruptions through performance of regular vegetation management, installation of animal guards, etc.

Vegetation management programs, while vital, are expensive and do have an impact on ratepayers. If the Authority is concerned about the cost of utility fuel reduction activities, we strongly suggest evaluating the impact that Senate Bill 247 (Dodd, Chapter 406, Statutes of 2019) has had on utility rates. That bill requires all electrical line clearance tree trimmers to be paid prevailing wage. Cost recovery filings by IOUs implementing SB 247 were eye opening, showing a 175% increase in vegetation management contract rates for Southern California Edison, an 82% average increase in hourly rates for Bear Valley Electric Service, and a 62% increase in costs to remove trees for PG&E. Given that PG&E has been spending well over half a billion dollars on vegetation management annually, a 62% increase in the cost to remove each tree has significant and profound impacts on ratepayer bills.

Finally, utility vegetation management activities cannot increase local fire risk by leaving the cut fuels on the forest floor, as there is a long and unfortunate recent history of utility fuel reduction activities compromising local defensible space, egress, and roadside fuel management work.

Home and Community Hardening

Numerous studies have shown that retrofitting homes to make them more resistant to the impacts of wildfire, known as home hardening, is an effective way to reduce risk of ignition in the event of a high severity wildfire. This is particularly effective if home hardening efforts are implemented communitywide and to the highest standards. These retrofits are costly, however, and it can cost tens of thousands of dollars to harden an existing home to the most fire-resistant standard: potentially $30,000-40,000 to fully fire harden an older home. Similarly, creation and maintenance of defensible space are key, but can pose significant financial challenges, especially as many homeowners in forested areas are low-income, fixed-income, or elderly. We must find ways to help homeowners pay for these vital improvements because they will have transformative benefits for those living in high fire risk areas. One solution is providing deferred repayment and forgivable loans and grants to help low-income Californians harden their homes and create defensible space.

Our organizations have also been working with the Legislature over the last several years to establish a framework for construction in fire prone areas: one that balances the demand for continued housing production and the need for more fire-wise planning and development. Such an approach would establish specific wildfire risk reduction standards for permitting and construction in the VHFHSZ (SRA and LRA), based on development size, including: 1) Enforcement of defensible space requirements; 2) Requirements for an approved wildland fire assessment and wildfire mitigation plan; 3) For larger developments, defensible space maintenance program funded through ongoing assessments on property owners.

Conclusion – California Must Implement and All of the Above Strategy to Reduce the Risk of Wildfire Ignition, Intensity, and Survivability

California cannot pin its efforts solely on home and community hardening – or even restrictions on developable areas. While the state can and should focus on common-sense updates to make homes and communities more survivable when a fire occurs, the state must also work to reduce the risk and intensity of fires by reducing fuel loads, improving forest health, and returning forests to historic densities through the development of a comprehensive statewide strategic wildfire mitigation plan. These efforts must also be paired with strategies to reduce the risk of wildfire ignition. In the context of electrical utilities, efforts should include hardening infrastructure (upgrading bare wires to covered conductors, undergrounding powerlines where feasible and cost-effective, and improving system monitoring and segmentation) and using public safety power shutoffs and fast trip deenergization as a stop gap solution until more durable hardening working can be performed (and then as a last line of defense to guard against ignitions).

3. **An analysis of the potential benefits and potential negative impacts on homeowners related to reasonable limitations on changes to recoveries in wildfire litigation arising from ignitions caused by electrical or gas utility infrastructure, including, but not limited to, restrictions on the recovery of**

attorney's fees, limitations on economic and noneconomic damages, including claims by insurers, limitations on public entity claims, limitations on claims by those outside the fire perimeter, and aggregate limitations on liability per event.

On September 30, the California Earthquake Authority (CEA) solicited contributions from stakeholders on a variety of topics related to measures that "protect access to insurance, reduce litigation costs, provide fair and expeditious compensation to claimants, support wildfire and natural catastrophe mitigation, safety, and community resilience, and ensure large electrical corporations are accountable for safety and also have the financial health to attract low-cost capital on behalf of ratepayers."

Among other topics, the CEA requested input on the "benefits and potential negative impacts on homeowners related to reasonable limitations on changes to recoveries in wildfire litigation arising from ignitions caused by electrical or gas utility infrastructure, including, but not limited to, restrictions on the recovery of attorneys' fees, limitations on economic and noneconomic damages, including claims by insurers, limitations on public entity claims, limitations on claims by those outside the fire perimeter, and aggregate limitations on liability per event."

The California State Association of Counties (CSAC), Rural County Representatives of California (RCRC), and League of California Cities (Cal Cities) (hereinafter referred to as the Joint Local Governments) collectively represent local governments across the state that play a vital role during and in the aftermath of wildfires.

Limitations on Public Entity Claims

California's electrical utilities have caused some of the most devastating and destructive wildfires in the nation's history. Many of the survivors from impacted communities are still struggling to rebuild years later. The Joint Local Governments are very concerned about potential changes that may leave local governments and wildfire victims unable to fully recover for the damages they experience.

Typical personal damages victims incur from wildfires are aptly described by other stakeholder organizations, including by the Consumer Attorneys of California.

Wildfire impacts to local governments may be less understood, but their remediation is crucial for community rebuilding. Governmental entities suffer losses to critical public safety and public works infrastructure, as well as losses to taxpayer resources across critical departments and services. These losses include roads, bridges, and other transportation infrastructure; water systems, reservoirs, debris basins, and culverts; sewer and septic systems; public safety and fire protection assets and infrastructure; schools, libraries, and community centers; parks, open space, and natural recreation areas; cultural

or historical landmarks; environmental damages; and other categories of taxpayer resources.

Gas and electrical utilities have destroyed subdivisions and entire communities, as seen in places like San Bruno, Santa Rosa, Paradise, and Altadena to name a few. Governmental entity losses are generally just a fraction of overall damages in IOU-caused wildfire lawsuits; however any attempt to reduce the ability for governmental entities to recover damages (or limiting the total amount of damage recoverable per event) would have devastating consequences on community rebuilding and restoration.

Local governments must repair or replace critical infrastructure damaged or destroyed during a wildfire and quickly restore essential services to maintain public health and safety. Limiting the ability for local governments to fully recover from gas or electrical utilities would force those entities to deeply cut funding for other core public services like public health, public safety, maintenance of critical facilities, etc. – cuts that have rapidly escalating consequences. Alternatively, local governments would be forced to increase taxes to backfill rebuilding costs that would be precluded from recovery from some of the state's largest and best-capitalized organizations and which earn substantial profits from a state-guaranteed return on investment. For these reasons the Joint Local Governments must strongly oppose any efforts to limit recovery by public agencies.

Aggregate Limitations on Liability Per Event

The Joint Local Governments similarly oppose efforts to limit aggregate liability per event. Such limits perversely reward utilities based on how destructive the wildfire is. For example, if a wildfire causes $3 billion in damages and aggregate liability is limited to $500 million per event, impacted residents and communities would be unable to recover $2.5 billion in damages. In contrast, a less destructive wildfire that merely caused $1 billion in damages would leave "only" $500 million unrecoverable. Under these scenarios, utilities derive significantly greater benefits the more destructive the wildfire they cause - $500 million in avoided liability for the smaller event compared to $2.5 billion for the larger, more destructive event.

Aggregate liability caps also create a perverse incentive to minimize safety improvements because there is a lower overall risk of liability. Capping liability serves only to protect utility profits while leaving innocent residents and communities unable to recover for the damages incurred. At best, this approach merely shifts the costs of recovery and liability to taxpayers at the local, state, and federal levels, but that assumes that there will be adequate resources available for those purposes.

Recovery is a zero sum game - if victims cannot recover the cost to rebuild, rebuilding will not happen and those impacted communities will wither and die.

Inverse Condemnation

After a wildfire, inverse condemnation is the way that victims of fires (residents, businesses, and local agencies) recover their costs. Inverse condemnation has its roots in the Takings Clauses of the U.S. and California Constitutions as the flip side of eminent domain. The "inverse" means that if property is damaged by a public benefit (i.e. providing electricity), damages can be sought and awarded. The power of inverse condemnation has been extended by the courts to private utilities. During ratemaking proceedings, the California Public Utilities Commission (CPUC) can establish rates that allow an investor-owned utility to recover certain costs from ratepayers. This can include costs of wildfire, if the utility acted reasonably. California Public Utilities Code §463 only disallows costs associated with unreasonable errors or omissions in planning, construction, or operation of the utility's plant. Liability rules serve important purposes to provide certainty that fire victims will be taken care of and to incentivize investor-owned utilities to be as safe as possible. Changes to these rules could have far-reaching unintended consequences, complicating lawsuits for victims and inviting more complex and longer trials against more parties. Utilities must not be allowed to pass off liability to other entities and reduce the amount of award victims would receive. Victims of fires, including local agencies, have a right to receive just compensation for damage incurred.

Additionally, the State of California and local governmental entities receive critical federal disaster relief funds from agencies, such as FEMA, through the federal Stafford Act (42 U.S.C. sec. 5121, et seq.). The Stafford Act and two federal regulations promulgated by FEMA require that recipients of federal disaster relief funds cooperate with the federal government to avoid the duplication of benefits by pursuing negligent third parties for recovery and reimbursement of losses also covered by federal disaster funds (44 CFR sec. 206.223€ and 44 CFR sec. 204.62(c)). Within this federal regulatory framework, local governmental entities have, since 2019, worked closely with the California Governor's Office of Emergency Services and FEMA to recover many tens of millions of dollars to satisfy local and state obligations to cooperate with the FEMA after receipt of disaster relief funds. Continued wildfire protection and prevention, continued general services, and rebuilding support services rely on governmental entities' ability to recover losses from IOU-caused wildfires. Local governmental entities rely on inverse condemnation to fairly and efficiently recover these losses in coordination with state and federal agencies. For these reasons, the Joint Local Governments oppose attempts to change inverse condemnation for investor owned utilities.

Restrictions on Recovery of Attorneys' Fees

The Joint Local Governments support efforts to evaluate trends and common practices with respect to the recovery of attorneys' fees in wildfire-related actions. Claims that contingency fees may reach 30-40% of recoveries are concerning to the extent that they deeply erode the amount victims are ultimately able to use for rebuilding their lives. At the

same time, we remain deeply concerned that restricting attorneys' fees may limit the ability for wildfire victims to recover for damages incurred. We generally support efforts to expedite the processing of wildfire claims, but we share stakeholder concerns that fast-track processes may leave some victims short-changed because of problems with damage calculations, disregard of unique circumstances, or inadequate appeals processes.

An interesting corollary worth exploring would be how the Public Utilities Commission could significantly reduce the return on investment utilities earn on capital improvements in the event of catastrophic wildfires that exceed a specified amount of damages or are the result of gross negligence on the part of the utility.

Limitations on Claims by Those Outside the Fire Perimeter

The Joint Local Governments are very concerned about the consequences of limiting claims by entities outside the fire perimeter. While fires cause considerable (and in many cases total) destruction within the wildfire perimeter, damages often occur outside those boundaries. Smoke and ash damage can have real, costly, and long-lasting impacts on nearby residents, business, and local governments. Damages to water and sewer infrastructure may extend beyond the fire perimeter, as could impacts to water quality caused by ash, metals, and other debris falling into nearby community water resources. Streets, roads, and public and private lands may be damaged by entities trying to contain utility wildfires. Communities and residents may face significant economic (and psychological) losses as a result of having to evacuate, shelter-in-place, and/or being forced to close schools, businesses, etc. These are real damages that occur both inside and outside the wildfire perimeter and must remain recoverable.

Conclusion

The Joint Local Governments caution against any changes that would limit the ability for wildfire victims and local governments to recover against those responsible for causing wildfires. While the Authority should explore ways to ensure that wildfire recovery is simplified and expedited, it should guard against changes that would result in shortchanging victims with respect to the injuries incurred. Finally, while we believe that the Authority should evaluate and ensure that attorneys' fees are not excessive, we caution against changes that would effectively eliminate the ability for victims to recover.