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Abstract: New Models to Protect Ratepayers from Unlimited Wildfire Fund Contributions

I. Overview / Problem Statement

California's current wildfire liability framework produces painful outcomes for every key stakeholder — ratepayers, investor-owned utilities (IOUs), property owners, and insurers alike. In addition to placing caps on how much a utility can recover from the wildfire fund — whether per year, per incident, or during the lifetime of the fund — it is beyond time to study alternatives to the fund. The combination of inverse condemnation, fragmented risk allocation, and overlapping cost recovery mechanisms has rendered the system financially unsustainable and socially inequitable. Comprehensive reform is urgently needed to stabilize liability exposure, preserve affordability, and re-establish public confidence in the State's approach to wildfire risk.

II. Proposed Focus / Research Question

This contribution urges the Study Team to evaluate models that rebalance wildfire risk responsibility between utilities, ratepayers, and the State, while exploring long-term alternatives to the existing Wildfire Fund. Specifically: How can California design a durable liability and recovery system that equitably distributes wildfire costs, and prevents cascading ratepayer impacts?

III. Proposed Approaches and Model for Examination

A. Tort Reform: Revisiting Inverse Condemnation

The State should consider replacing strict liability with a contributory negligence framework that ties recovery to fault and shared responsibility. Colorado-style liability caps could limit exposure while maintaining accountability. The State could also consider limitation on attorney's fees. Such reform would discourage litigation inflation and align cost responsibility with actual risk creation.

B. State as Insurer of Last Resort

The State — not ratepayers — should bear residual wildfire liability through a pooled structure funded by a mixture of progressive income and estate taxes. This approach would socialize the most catastrophic risks across a broader base, improving both affordability and equity while preserving financial viability for IOUs and insurers.

C. Limiting Ignition Risk Through Operational Controls

Expanded and targeted used of Enhanced Powerline Safety Settings (EPSS) and Public Safety Power Shutoffs (PSPS) can reduce ignition probability, particularly during high-risk conditions. While unpopular, many ratepayers may prefer temporary service interruptions over continued cost escalation. This tradeoff warrants structured study within a balanced liability framework.

D. Affordability and Regulatory Integration

All wildfire-related rate impacts should be consolidated into the General Rate Case (RC) process to ensure full transparency, avoid duplicative cost recovery, and enable holistic evaluation of utility financials. Integrating these threads would simplify oversight and reinforce the principle that wildfire risk management is an inherent cost of service.

IV. Anticipated Outcomes / Policy Relevance

This contribution supports the study's core objective: identifying sustainable, equitable approaches to wildfire cost allocation. By testing tort reform, public risk pooling, and integrated regulatory treatment, California can move from fragmented crisis response toward a coherent liability model that protects ratepayers, stabilizes IOUs, and restores fairness to the system.