May 29, 2026

The Honorable Cottie Petrie-Norris
Chair, Assembly Utilities and Energy Committee
1020 N Street, Suite 121
Sacramento, CA 95814

The Honorable Ben Allen
Chair, Senate Energy, Utilities, and Communications Committee
1021 O Street, Suite 3350
Sacramento, CA 95814

The Honorable Isaac Bryan
Chair, Assembly Natural Resources Committee
1020 N Street, Suite 164
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The Honorable Josh Becker
Chair, Senate Natural Resources and Water Committee
1021 O Street, Suite 3220
Sacramento, CA 95814

The Honorable Rhodesia Ransom
Chair, Assembly Emergency Management Committee
1020 N Street, Suite 360B
Sacramento, CA 95814

The Honorable Henry Stern
Chair, Senate Emergency Management Committee
1020 N Street, Suite 549
Sacramento, CA 95814

The Honorable Lisa Calderon
Chair, Assembly Insurance Committee
1020 N Street, Suite 369
Sacramento, CA 95814

The Honorable Steve Padilla
Chair, Senate Insurance Committee
1020 N Street, Suite 258
Sacramento, CA 95814

The Honorable Ash Kalra
Chair, Assembly Judiciary Committee
1020 N Street, Suite 104
Sacramento, CA 95814

The Honorable Tom Umberg
Chair, Senate Judiciary Committee
1021 O Street, Suite 3240
Sacramento, CA 95814

RE: SB 254 Natural Catastrophe Resiliency Study

Dear Committee Chairs,

On behalf of the California State Association of Counties (CSAC), Rural County Representatives of California (RCRC), and League of California Cities (Cal Cities), we write to share our organizations perspectives on behalf of the state's 483 cities and 58 counties regarding the Natural Catastrophe Resiliency Study prepared by the California Earthquake Authority (CEA) as required by SB 254 (Chapter 119, Statutes of 2025).

We appreciate the significant effort undertaken in preparing the SB 254 report (report), which considers complex and consequential issues related to wildfire liability, insurance market stability, utility accountability, and affordability. Unfortunately, the compressed statutory timeline for completing the report limited stakeholder engagement and constrained the ability to analyze and discuss the significant societal tradeoffs that will result from many of the options proposed in the report. The report contains analytical gaps and fails to examine the serious consequences that some of the report options will have on wildfire survivors, local governments, and the ability of impacted communities to meaningfully recover and rebuild following a utility-caused wildfire. At its core, the report presents a common theme that runs across many of the options: shifting costs from utilities and shareholders onto the State, taxpayers, local governments, wildfire victims, and insurance policyholders. The report suggests creating a new statewide financing mechanism, taxes, assessments, and increased insurance premiums for these purposes, while absolving the very liability standards that ensure utilities remain accountable when their equipment causes devastating fires.

I. The Report Inaccurately Suggests Shifting Utilities-Caused Wildfire Liabilities to the State, Victims, Taxpayers, Local Governments, and Insurance Providers: Utilities have a fundamental responsibility to prudently maintain and operate their electrical systems to safely and reliably provide electricity. According to the California Public Utilities Commission (CPUC), utility equipment has started approximately 30% of the most destructive wildfires in the state. Under California's regulatory framework, investor-owned utilities (IOUs) have historically been permitted to seek recovery of certain wildfire-related costs through rates, subject to review by the CPUC **and in consideration of whether the utility acted prudently in the operation and maintenance of its system**. This prudency standard is intended to balance the ability of utilities to spread extraordinary wildfire costs across the broader rate base, while still maintaining strong incentives for safe operations, proper maintenance, and effective wildfire risk mitigation.
IOUs already enjoy regional monopolies, have the power of eminent domain to provide electricity as a public good, and may socialize risk over their rate base. Despite these extraordinary powers, the report offers multiple options for limiting IOU liability for the very wildfires they cause, including eliminating inverse condemnation. Inverse condemnation is intended to provide a simplified pathway to compensate those whose property is damaged during the provision of a public good – **the concept applies to all public agencies and not just electric utilities**. The report also contemplates dramatically limiting utility liability even when negligent or grossly negligent in the operation of their systems. The proposed limitations include eliminating punitive damages, limiting recovery of non-economic damages, and eliminating or limiting the ability for local governments to recover for rebuilding and the costs of responding to a utility-caused wildfire. These options undermine the fundamental principles of our judicial system by restricting the ability of injured parties to seek full justice, accountability, and compensation through the courts.

The report includes practically no analysis or disclosure of the impacts on victims of these extraordinary changes to long-accepted liability principles or the societal trade-offs that will result. The report simply assumes that impacted local governments will be unfazed by these changes. There is no discussion about the ability (or inability) of local governments to shoulder wildfire response costs or the impacts on already strained local budgets when local governments are unable to recover the costs to rebuild damaged public infrastructure and property. There is no discussion about the heightened standard of culpability that must be established before punitive damages can be awarded against a utility – or recognition that punitive damages can be imposed on shareholders alone rather than on utility ratepayers.

The report simply suggests shifting liability and response costs away from utilities and shareholders and onto the State, taxpayers, local governments, wildfire victims, insurance policyholders, and ratepayers. Indeed, the report suggests further limiting utility liability by reducing shareholder contributions to the wildfire fund, thereby creating a system where utilities are able to shift inherent risks while reaping the benefits of 10%-11% guaranteed returns on investments in capital improvements.

- *Recommendation: Our organizations strongly oppose the elimination of inverse condemnation for utility-caused wildfires (Option 2.2.1).*

- *Recommendation: We also object to limiting the damages for which electric utilities are liable outside of inverse condemnation (Option 2.2.2) that would shift accountability and costs. Removing punitive damages would allow utilities to avoid accountability for gross negligence. Limiting local government recovery could undermine fiscal solvency for many local agencies and significantly undermine recovery and rebuilding efforts.*

Utilities are required to submit wildfire mitigation plans (WMPs) to the state detailing how they will reduce utility-caused wildfire risk. The IOUs' WMPs are reviewed and approved by the California Office of Energy Infrastructure Safety (OEIS), which is also tasked with overseeing compliance with the approved plans. WMPs are inherently high-level frameworks and do not capture the full scope of prudent utility obligations. In particular, they do not comprehensively address granular, system-wide responsibilities such as infrastructure inspection, maintenance, equipment condition, and the integrity of individual components—down to every line, pole, and clamp — that are critical to preventing utility-caused wildfires. OEIS' most recently published audits of the WMPs found that the three large IOUs (Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E)) did not fully comply with their approved plans. For example, the 2023 Annual Reports on Compliance found that the three IOUs failed to meet all their 2023 WMPs' targets for initiative activities and objectives. Additionally, according to the 2021 Substantial Vegetation Management Audit Reports, PG&E, SCE, and SDG&E did not perform all the vegetation management work required by their WMPs.

- *Recommendation: While we believe compliance with approved WMPs is critical, it is not sufficient to allow utilities to use it as an affirmative defense to negligence claims (Option 1.3.1).*

The report suggests the state adopt a formal, acceptable risk-tolerance standard without fully evaluating the consequences of that suggestion. One of the practical consequences the report identifies is a continued reliance on Public Safety Power Shutoffs (PSPS) and fast trip outages as a way to eliminate operational risk. While we strongly support efforts to reduce wildfire risk, these types of strategies were intended as stop-gap solutions to reduce risk while utilities implemented other system hardening programs, including deployment of covered conductors and undergrounding powerlines where appropriate and cost-effective. Residents in many of our communities continue to be impacted by recurring power outages – often five or more times a month and dozens of times over the course of a year.

- *Recommendation: While we recognize the role that safety settings play in reducing wildfire risk, utilities must be required to pair such strategies with durable improvements over the long term to ensure residents have access to safe, reliable electricity.*

At a time when California ratepayers are grappling with escalating electricity costs, IOUs have continued to benefit from substantial shareholder returns and executive compensation, as noted in the report. The report disproportionately focuses on wildfire liability as a driver of electricity affordability, even though generation and delivery account for roughly 80% of an average non-CARE customer's monthly bill, while wildfire mitigation costs account for approximately 11% and **wildfire liability costs account for merely 4.7-6.5%**, according to the CPUC.

- *Recommendation: If the state seeks a more durable Wildfire Fund (Option 2.4.3) without increasing ratepayer costs related to wildfire liability yet are seeking a more durable Wildfire Fund (Option 2.4.3), they need not look any further than requiring shareholder returns to be significantly reduced, compared to traditionally justifying such returns based on operational and financial risks associated with operating California's electric grid.*

II. Publicly Owned-Utilities Have Different Challenges that Merit Action: Unlike IOUs, which are governed by corporate boards and prioritize the interests of shareholders, publicly owned utilities (POUs) are overseen by locally elected governing boards and are directly connected to the communities they serve. This creates greater transparency, responsiveness, and alignment with respect to safety, reliability, and affordability. POU WMPs are generally locally adopted by their governing boards and submitted to OEIS. Unlike IOUs, OEIS does not formally approve of POU WMPs, as POUs are not regulated by the CPUC, and POUs do not have access to the state's Wildfire Fund. Since POUs do not have shareholders, they must solely rely on their ratepayers to pay for damages if found responsible for starting a wildfire.

- *Recommendation: We caution against any mandates related to state-approved WMPs that would revoke the self-governing nature of local POUs.*

- *Recommendation: To ensure wildfire victims and community recovery, we support creation of a contingency fund or financial backstop that may be accessed should a POU face potential bankruptcy following a major wildfire event.*

III. The Report Inappropriately Shifts Blame to Local Governments for Development in High Fire Areas – California Must Instead Improve Alignment of State-mandated Housing, Planning and Building Policies in High Fire Areas: California's counties and cities are on the front lines of wildfire response and recovery, bearing enormous fiscal, infrastructure, emergency management, housing, and public safety costs when catastrophic wildfires occur. A substantial share of California's existing and future housing stock is already located in high and very high fire hazard severity zones (FHSZ) and the wildland-urban interface (WUI). Some existing communities have found themselves entirely encompassed in these FHSZ maps over the last several decades.

Local governments are also under increasing state pressure to meet aggressive Regional Housing Needs Allocation (RHNA) targets. These RHNA targets often fail to account for the reality that some jurisdictions are partially or completely located in high fire areas. In many cases, local governments have no other sites available and must identify the WUI areas in their inventory of sites in their housing elements to comply with state-mandated housing laws.

We reject assertions by the IOUs and the report that local governments are to blame for allowing development in high fire areas. Many homes and communities were built long before the recent surge in catastrophic wildfires, which has been intensified by climate change and decades of restrictive forest management policies that have resulted in overgrown and unhealthy ecosystems. At the same time, local governments are required to comply with state housing laws, RHNA obligations, and housing element requirements, even when available developable land is located in or near the WUI. If a local government does not comply with state law and does not have a certified housing element, developers can build in these areas without local government input.

California's misaligned state policies have compounded this problem by failing to appropriately balance housing mandates, RHNA, planning requirements, climate realities, and wildfire safety in high fire areas. Claims that local governments are somehow responsible for utility-caused wildfires are disingenuous and highlight systemic failures of the state in needing to address competing climate and housing laws, including state housing law and RHNA. Our organizations have repeatedly sought to work with the Legislature to update building and egress requirements for development in the WUI, and we remain open to opportunities for real discussions about how to update RHNA and improve planning and design in the WUI.

- *Recommendation: California must modernize competing state laws to incorporate the conditions of climate change into state policies and housing law. Our local government organizations stand ready to work with the Legislature and Governor to update state housing law, RHNA, and building/egress requirements for development in the WUI and high fire areas.*

IV. The Report Outlines Many Supportable Changes Related to Wildfire Prevention and Mitigation: While several of the options presented in the report reflect existing policies, ongoing initiatives, or incremental modifications, the **most transformative recommendations are those related to increasing wildfire mitigation and prevention, which will reduce wildfire risk, prevent utility-caused fires, and lower the total amount of resulting damages.**

- *Recommendation: The state must strengthen and align community wildfire mitigation efforts, including between CalFire, Office of the State Fire Marshal (OSFM), IOUs, POUs, local fire districts, cities, and counties to effectively analyze risk, prioritize investments, and target the high fire areas (Option 1.1.1 and Option 1.1.2).*

- *Recommendation: OSFM must increase the frequency of updating the fire hazard severity zone (FHSZ) maps in the local responsibility areas (LRA) to every five years, consistent with the frequency of the state responsibility area maps.* Up until last year, the LRA FHSZ maps were not updated in over 15 years. These maps convey the state's best available science related to what environmental conditions spread fire and directly link to fire code and building code standards for structures and defensible space requirements to help mitigate wildfire risk (based on prior legislation including AB 2517 (Calderon, 2026), AB 261 (Quirk-Silva, 2025), and AB 300 (Lackey, 2025)).

- *Recommendation: The state must adopt a science-based Zone Zero regulation package to help homeowners harden individual properties (Option 1.1.3).* Once adopted, the Zone Zero rule will be incorporated and implemented based on the FHSZ designations which is why the state must maintain updated LRA FHSZ maps.

- *Recommendation: The state must codify and expand the Governor's Executive Order N-29-25 to streamline administrative processes and procedures to maximize resources and expedite implementation of wildfire risk reduction projects (Option 1.1.4).*

- *Recommendation: The state must create financing tools to support community wildfire mitigation efforts ((Option 1.2.1) and based on pending legislation (SB 894 (Allen)).*

- *Recommendation: The costs associated with rebuilding a community after a disaster are enormous, and the state should empower local governments to unlock financing tools to support disaster recovery ((Option 1.2.3) and based on pending legislation AB 2385 (Petrie-Norris, 2026)).*

V. The Report Appropriately Suggests that Wildfire Insurance Availability Must Be Linked to Mitigation Efforts: Creating a stronger link between wildfire mitigation efforts and meaningful reductions in insurance premiums would drive greater homeowner adoption of home hardening, defensible space, and other risk-reduction measures by providing clear and tangible financial incentives for investment in resilience.

- *Recommendation: The state should create a robust home hardening certification program coordinated by CalFire and OSFM, consistent with the implementation of the Zone Zero rule and defensible space requirements (as proposed in pending legislation AB 1934 (Bennett, 2026)).*

➢ *Recommendation: The state must tighten the link between a home hardening certification program and wildfire mitigation efforts to reduce risk and the availability and accessibility of insurance (Option 1.2.2).*

Conclusion: Any proposed changes or reforms should be thoroughly vetted through a transparent and inclusive public engagement process that meaningfully incorporates input from all impacted stakeholders. *We cannot sacrifice wildfire victims and impacted communities to protect utility shareholders.* The only way to ensure that utilities prioritize safety and prudently operate their electrical systems is to maintain strict standards for utility wildfire liability. By improving coordination and aligning wildfire prevention and mitigation, California can meaningfully reduce the risk of wildfires and their consequences.

Please do not hesitate to contact Jordan Wells (CSAC) at jwells@counties.org, Melissa Sparks-Kranz (Cal Cities) at msparkskranz@calcities.org, or John Kennedy (RCRC) at jkennedy@rcrcnet.org with any questions.

Respectfully,

Jordan Wells	Melissa Sparks-Kranz	John Kennedy
Legislative Advocate	*Legislative Advocate*	*Senior Policy Advocate*
California State Association Of Counties	**League of California Cities**	**Rural County Representatives of California**

cc: The Honorable Governor Gavin Newsom
Members, Assembly Utilities and Energy Committee
Members, Assembly Natural Resources Committee
Members, Assembly Judiciary Committee
Members, Assembly Emergency Management Committee
Members, Senate Energy, Utilities, and Communications Committee
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