

An act to add Section 1260.215 to the Code of Civil Procedures, to amend Sections 850, 850.1, 1701.8, 3280, and 3292 of, to add and repeal Section 719 of, and to add and repeal Chapter 4 (commencing with Section 3298) and Chapter 5 (commencing with Section 3299) of Part 6 of Division 1 of, the Public Utilities Code, and to amend Sections 80506, 80524, 80540, and 80544 of, and to add and repeal Section 80544.5 of, the Water Code, relating to public utilities, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) Climate change is driving an increase in the frequency and severity of extreme weather events globally and in California, including heatwaves, droughts, flooding, and a significant increase in the incidence and severity of catastrophic wildfires. These extreme weather events impose profound risks to public health, natural resources, infrastructure, and California's economy.

(b) In California, wildfires have grown significantly more intense and destructive in recent years, with 15 of the 20 most destructive wildfires on record occurring in the last 10 years. The 2025 wildfire season is already surpassing previous years in acreage burned and destruction. As of July 15, 2025, there have been 4,195 wildfires, burning 201,295 acres, dramatically higher than the five-year average of 116,218 acres by this point in the year. For comparison, by that date in 2024, there were only 3,629 wildfires and 77,925 acres burned.

(c) The risk to life and property from catastrophic fires has been aggravated by historical land use policies that have placed more people and property in the wildland-urban interface (WUI). Simultaneously, climate change has dramatically increased the number of acres in California considered to face high fire risk. Under the Department of Forestry and Fire Protection's (CalFire's) recently updated fire hazard severity maps, an additional 1,400,000 acres not previously classified as having high fire risk are now designated as high or very high fire hazard severity zones, reflecting the growing risk of wildfires across the state.

(d) Wildfire risk is destabilizing the homeowners' insurance market, with increasing numbers of California homeowners unable to obtain insurance from admitted carriers.

(e) The risk of wildfires is also impacting utility rates. Utilities and their customers bear the immediate and long-term financial burden of infrastructure upgrades, wildfire prevention, and post-fire liabilities, driven in part by California's unique application of inverse condemnation, which holds utilities strictly liable for all damage caused by their equipment regardless of fault.

(f) In recognition of the potential impacts of climate change on California, the state has taken bold steps relating to, and made significant investments in, mitigation and adaptation.

(g) California is a national leader in both mitigating climate change and adapting to its impacts. The state has adopted ambitious, enforceable goals for decarbonization and reducing reliance on fossil fuels, including enactment of the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500) of the Health and Safety Code), which established the goal to reduce the statewide emissions of greenhouse gases to 1990 levels by 2020 and tasked the State Air Resources Board with developing a comprehensive plan to achieve this goal, and Section 454.53 of the Public Utilities Code to transition California's electrical grid to 100 percent eligible renewable energy and zero-carbon resources by December 31, 2045.

(h) California has undertaken parallel efforts to prepare for and lessen the effects of climate-fueled disasters already affecting California communities. Since 2019, California has made historic investments in wildfire protection, prevention, and

resilience, including \$5,300,000,000 in investments for forest health, fire prevention, and fuel reduction programs and projects, including an additional \$1,500,000,000 in the recently approved Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Division 50 (commencing with Section 90000) of the Public Resources Code), nearly \$500,000,000 to expand the state's firefighting capacity and capabilities, including funding additional helicopters and other aviation resources, surge engines and dozers, and wildfire detection, mapping, and analysis tools, and \$1,800,000,000 in additional ongoing funding and 5,800 positions to increase the state's firefighting capacity and capabilities.

(i) California also has taken significant steps to reduce the incidence and severity of utility-sparked wildfires. In 2019, the Legislature enacted Chapters 79 and 81 of the Statutes of 2019, which imposed comprehensive safety and accountability requirements on investor-owned utilities to incentivize those utilities to prioritize safety, invest in wildfire mitigation, and improve accountability for their roles in preventing catastrophic wildfires in California.

(j) Among other safety and accountability requirements, the 2019 legislation did all of the following:

(1) Created the Office of Energy Infrastructure Safety with expertise to review and approve investor-owned utility wildfire mitigation plans and oversee mandated investor-owned utility safety requirements.

(2) Mandated that electrical corporations develop, and submit to the Office of Energy Infrastructure Safety for evaluation and approval, wildfire mitigation plans to minimize the risk of their electrical equipment causing wildfires.

(3) Required that executive compensation of electrical corporations be tied to annual safety performance to align leadership incentives toward robust safety outcomes and promote public safety.

(4) Mandated that each electrical corporation have a safety committee on their board of directors with relevant safety experience to strengthen governance and oversight of safety matters within the electrical corporation.

(5) Imposed board-level reporting by electrical corporations to the Public Utilities Commission on safety issues to promote transparency and accountability at the highest levels of management of the electrical corporations.

(6) Implemented an annual safety culture assessment for each electrical corporation, performed initially by the Wildfire Safety Division and currently by the Office of Energy Infrastructure Safety, to ensure ongoing evaluation and improvement of safety practices and behaviors.

(7) Increased the Public Utilities Commission's authority to impose penalties on electrical corporations for safety violations.

(8) Established an insurance fund, known as the Wildfire Fund, to stabilize electrical corporations, protect customers from wildfire liabilities, and expeditiously compensate fire victims, and required electrical corporations to obtain annual safety certifications in order to access to the Wildfire Fund.

(k) Despite these efforts and investments, in January 2025, during a period of unprecedented drought and winds up to 100 miles per hour, the Eaton Fire in the communities of Altadena, Pasadena, and Sierra Madre, and the Palisades Fire in the Palisades community of the City of Los Angeles, unincorporated area of the County

of Los Angeles, and the City of Malibu, erupted into urban conflagrations that took the lives of 12 people and destroyed more than 15,000 structures.

(l) Those January 2025 wildfires also created significant uncertainty regarding the adequacy of the Wildfire Fund to protect against electrical corporation bankruptcy risks and undermined confidence in the financial stability of the state's electrical corporations. The prospect that electrical corporations and their customers could be required to bear, on an ongoing basis, losses of the magnitude of those wildfires is unsustainable.

(m) Financial markets are demanding higher costs for capital to account for the increased risk of investing in or lending to electrical corporations in California, which increases the electricity rates paid by ratepayers. Local publicly owned electric utilities with territories that cover high fire risk areas in the WUI are also facing increased costs to obtain capital.

(n) This financial instability and the potential for utility bankruptcies pose direct threats to California's access to safe, reliable, and affordable energy and jeopardize progress toward the state's ambitious climate goals.

(o) The Wildfire Fund's durability is being further compromised by hedge funds and other speculators seeking to profit from the fund. In the wake of the January 2025 wildfires, some insurance companies have sold their subrogation rights to private equity and hedge funds, which profit by demanding even higher recovery than the insurance companies, draining the Wildfire Fund's resources and capacity to pay fire victim claims.

(p) The destabilization of the energy sector caused by these events is part of a much larger financial disruption California is experiencing from climate change. As the impacts of climate change become more devastating and unpredictable, the capacity to insure against them is eroding. Neither ratepayers nor utility shareholders can bear the magnitude of damages California experienced during the January 2025 wildfires. Likewise, insurance markets have been destabilized in California and across the country as a result of the increasing scale and uncertainty of disasters. Home and auto insurance rates are increasing, and, in some areas, traditional insurance products are now completely unavailable.

(q) To address this emerging climate-fueled economic crisis, California must evaluate new models to equitably socialize risk that balance the state's goals of providing Californians with safe, affordable, and reliable energy, maintaining progress toward the state's climate goals, stabilizing the insurance markets to protect both insurance access and affordability, mitigating the incidence of and harm from wildfires and other disasters, and providing swift and fair compensation to those harmed.

(r) This comprehensive assessment should analyze and develop long-term reforms that protect access to insurance, reduce litigation costs, provide fair and expeditious compensation to claimants, support wildfire 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.

(s) As longer term solutions are developed, it is necessary to establish an interim framework to provide the Wildfire Fund with access to additional assets, if needed.

SEC. 2. Section 1260.215 is added to the Code of Civil Procedure, to read:

1260.215. (a) In any action, including an action for inverse condemnation, in which a plaintiff seeks recovery for property damage resulting from a wildfire from

an electrical corporation, a local publicly owned electric utility, an electrical cooperative, or any other governmental entity, all of the following requirements apply:

(1) The maximum amount the plaintiff may recover for their property damage shall be determined by deducting any amount the plaintiff has received, or will receive, from an insurer for that property damage.

(2) An insurer that is subrogated to the rights of its policyholder shall not recover more than 40 percent of any amount that the insurer has paid, or will pay, to its policyholder for the property damage.

(3) For purposes of this section, and subject to Chapter 4 (commencing with Section 350) of Division 3 of the Evidence Code, evidence of any amount the plaintiff has received from an insurer for their property damage is admissible in the action.

(b) For purposes of this section, all of the following definitions apply:

(1) "Electrical cooperative" has the same meaning as provided in Section 2776 of the Public Utilities Code.

(2) "Electrical corporation" has the same meaning as provided in Section 218 of the Public Utilities Code.

(3) "Local publicly owned electric utility" has the same meaning as provided in Section 224.3 of the Public Utilities Code.

SEC. 3. Section 719 is added to the Public Utilities Code, to read:

719. (a) For purposes of this section, terms used in this section shall have the same meaning as those terms are defined in Section 3280.

(b) On or before April 1, 2026, the administrator, in consultation with the commission, the Office of Energy Infrastructure Safety, the Department of Insurance, the Office of Emergency Services, and the Department of Forestry and Fire Protection, shall prepare and submit to the Legislature, and to the Governor, a report that evaluates and makes recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from catastrophic wildfires, and potentially other climate change-induced natural disasters, across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and local publicly owned electric utilities, to complement or replace the fund.

(c) The report shall include specific recommendations on all of the following:

(1) Accessibility and affordability of property insurance in California in light of the accelerating costs of climate change-induced catastrophic events.

(2) Additional mitigation measures and technology solutions to reduce the risk of ignition of wildfires and limit the spread of and damage from wildfires.

(3) Financing, insurance, and other mechanisms to expedite recovery for communities impacted by wildfires and to expedite compensation for property loss.

(4) Additional measures to benefit ratepayers through reducing costs caused by fiscal uncertainty while holding electrical corporations accountable for improving safety and reducing the risk of catastrophic wildfires.

(5) Options for enactment of a streamlined, low-cost mechanism to provide compensation for damages resulting from wildfires without the need to resort to protracted and costly litigation.

(6) Options for reasonable limitations on recoveries in wildfire litigation arising from ignitions caused by electrical or gas utility infrastructure, including, but not limited to, restrictions on recovery of subrogation claims made by insurance companies for

insured losses, restrictions on the recovery of attorney's fees, limitations on economic and noneconomic damages, limitations on public entity claims, limitations on claims by those outside the fire perimeter, and aggregate limitations on liability per event.

(7) Options for enactment of programs to reduce the risk of wildfires spreading, including improved state and local catastrophic event response capability, home fire risk reduction standards, vegetation management practices, and communitywide wildfire hardening requirements.

(8) Options for reducing the economic damage resulting from wildfires and potentially other catastrophic natural disasters, including minimum insurance requirements, insurance rate reductions for compliance with home and communitywide wildfire hardening requirements, special assessments to support infrastructure investments and emergency response, and improved land use planning.

(d) The administrator may retain consultants, academic experts, and other professionals as may be necessary for the efficient preparation of the report pursuant to this section and may compensate those retained consultants, academic experts, and other professionals using the fund assets or account assets.

(e) (1) The report to be submitted pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

(2) Pursuant to Section 10231.5 of the Government Code, this section is repealed on January 1, 2030.

SEC. 4. Section 850 of the Public Utilities Code is amended to read:

850. (a) This article applies in any of the following circumstances:

(1) If an electrical corporation applies to the commission for recovery of costs and expenses related to a catastrophic wildfire and the commission finds some or all of the costs and expenses to be reasonable pursuant to Section 451.1, or for the amount of costs and expenses determined pursuant to subdivision (c) of Section 451.2, then the electrical corporation may file an application requesting the commission to issue a financing order to authorize these costs and expenses to be recovered through fixed recovery charges pursuant to this article.

(2) If an electrical corporation submits an application for recovery of costs and expenses related to catastrophic wildfires, including fire risk mitigation capital expenditures identified in subdivision (e) of Section 8386.3, in a proceeding to recover costs and expenses in rates and the commission finds that some or all of the costs and expenses identified in the electrical corporation's application are just and reasonable pursuant to Section 451, the electrical corporation may file an application requesting the commission to issue a financing order to authorize the recovery of those just and reasonable costs and expenses by means of a financing order, with those costs and expenses being recovered through a fixed charge pursuant to this article. This paragraph does not apply for costs and expenses incurred by the electrical corporation after December 31, 2035.

(3) Notwithstanding paragraphs (1) and (2), for a catastrophic wildfire that was ignited between January 1, 2025, and the effective date of this paragraph, if a large electrical corporation has settled or finally adjudicated claims and the Wildfire Fund assets are exhausted, the electrical corporation, before filing an application for a just and reasonable determination pursuant to Section 451 or 451.1, may file an application requesting the commission to issue a financing order to authorize the costs and expenses of those settled and finally adjudicated claims that cannot be paid by the Wildfire Fund

to be recovered through fixed recovery charges pursuant to this article. For purposes of this paragraph, “large electrical corporation” and “Wildfire Fund assets” have the same meanings as set forth in Section 3280.

(3)

(4) (A) An electrical corporation may file an application requesting the commission to issue a financing order to authorize the recovery of verified incremental undercollection amounts for calendar year 2020 through fixed recovery charges pursuant to this article, if an electrical corporation’s annual true-up advice letter is accepted and either or both of the following incremental undercollection amounts are verified for calendar year 2020:

(i) An incremental undercollection amount equal to the difference between the forecasted amount of billed revenues for that year, based on the authorized sales forecast, and the revenues actually billed by an electrical corporation with respect to all revenue balancing accounts, if the incremental amount as a percent of the forecasted amount of billed revenues for that year is at least 5 percent.

(ii) An incremental undercollection amount equal to the residential and small business customer bad debt expense recorded for that year that exceeds the bad debt expense for that year that was adopted by the commission in the general rate case, if the incremental undercollection amount is otherwise eligible for recovery in rates.

(B) The incremental undercollection amounts subject to a commission-approved financing order shall be prohibited from being recovered through any other cost recovery application, mechanism, or request by the electrical corporation.

(C) The commission shall ensure any costs included in incremental undercollections described in this paragraph and subject to a financing order are just and reasonable consistent with the requirements of subdivision (a) of Section 850.1.

(D) In resolving a request for the issuance of a financing order, the commission may assign cost recovery to each customer class based on their contribution to the incremental undercollection described in this paragraph.

(b) For the purposes of this article, the following terms shall have the following meanings:

(1) “Ancillary agreement” means a bond insurance policy, letter of credit, reserve account, surety bond, swap arrangement, hedging arrangement, liquidity or credit support arrangement, or other similar agreement or arrangement entered into in connection with the issuance of recovery bonds that is designed to promote the credit quality and marketability of the bonds or to mitigate the risk of an increase in interest rates.

(2) “Catastrophic wildfire amounts” means the portion of costs and expenses the commission finds to be just and reasonable pursuant to Section 451.1 or the amount determined pursuant to subdivision (c) of Section 451.2.

(3) “Consumer” means any individual, governmental body, trust, business entity, or nonprofit organization that consumes electricity that has been transmitted or distributed by means of ~~electric~~ electrical transmission or distribution facilities, whether those ~~electric~~ electrical transmission or distribution facilities are owned by the consumer, the electrical corporation, or any other party.

(4) “Financing costs” means the costs to issue, service, repay, or refinance recovery bonds, whether incurred or paid upon issuance of the recovery bonds or over

the life of the recovery bonds, if they are approved for recovery by the commission in a financing order. "Financing costs" may include any of the following:

(A) Principal, interest, and redemption premiums that are payable on recovery bonds.

(B) A payment required under an ancillary agreement.

(C) An amount required to fund or replenish reserve accounts or other accounts established under an indenture, ancillary agreement, or other financing document relating to the recovery bonds.

(D) Taxes, franchise fees, or license fees imposed on fixed recovery charges.

(E) Costs related to issuing and servicing recovery bonds or the application for a financing order, including, without limitation, servicing fees and expenses, trustee fees and expenses, legal fees and expenses, accounting fees, administrative fees, underwriting and placement fees, financial advisory fees, original issue discount, capitalized interest, rating agency fees, and any other related costs that are approved for recovery in the financing order.

(F) Other costs as specifically authorized by a financing order.

(5) "Financing entity" means the electrical corporation or any subsidiary or affiliate of the electrical corporation that is authorized by the commission to issue recovery bonds or acquire recovery property, or both.

(6) "Financing order" means an order of the commission adopted in accordance with this article, which shall include, without limitation, a procedure to require the expeditious approval by the commission of periodic adjustments to fixed recovery charges and to any associated fixed recovery tax amounts included in that financing order to ensure recovery of all recovery costs and the costs associated with the proposed recovery, financing, or refinancing thereof, including the costs of servicing and retiring the recovery bonds contemplated by the financing order.

(7) "Fixed recovery charges" means those nonbypassable rates and other charges, including, but not limited to, distribution, connection, disconnection, and termination rates and charges, that are authorized by the commission in a financing order to recover both of the following:

(A) Recovery costs specified in the financing order.

(B) The costs of recovering, financing, or refinancing those recovery costs through a plan approved by the commission in the financing order, including the costs of servicing and retiring recovery bonds.

(8) "Fixed recovery tax amounts" means those nonbypassable rates and other charges, including, but not limited to, distribution, connection, disconnection, and termination rates and charges, that are needed to recover federal and State of California income and franchise taxes associated with fixed recovery charges authorized by the commission in a financing order, but are not approved as financing costs financed from proceeds of recovery bonds.

(9) "Recovery bonds" means bonds, notes, certificates of participation or beneficial interest, or other evidences of indebtedness or ownership, issued pursuant to an executed indenture or other agreement of a financing entity, the proceeds of which are used, directly or indirectly, to recover, finance, or refinance recovery costs, and that are directly or indirectly secured by, or payable from, recovery property.

(10) "Recovery costs" means any of the following:

(A) The catastrophic wildfire amounts or costs pursuant to paragraph (2) of subdivision (a) authorized by the commission in a financing order for recovery.

(B) The incremental undercollection amounts that the commission authorizes for recovery in a financing order pursuant to paragraph (3) of subdivision (a).

(C) Federal and State of California income and franchise taxes associated with recovery of the amounts pursuant to subparagraph (A) or (B).

(D) Financing costs.

(E) Professional fees, consultant fees, redemption premiums, tender premiums, and other costs incurred by the electrical corporation in using proceeds of recovery bonds to acquire outstanding securities of the electrical corporation, as authorized by the commission in a financing order.

(11) (A) "Recovery property" means the property right created pursuant to this article, including, without limitation, the right, title, and interest of the electrical corporation or its transferee:

(i) In and to the fixed recovery charges established pursuant to a financing order, including all rights to obtain adjustments to the fixed recovery charges in accordance with Section 850.1 and the financing order.

(ii) To be paid the amount that is determined in a financing order to be the amount that the electrical corporation or its transferee is lawfully entitled to receive pursuant to the provisions of this article and the proceeds thereof, and in and to all revenues, collections, claims, payments, moneys, or proceeds of or arising from the fixed recovery charges that are the subject of a financing order.

(B) "Recovery property" shall not include a right to be paid fixed recovery tax amounts.

(C) "Recovery property" shall constitute a current property right, notwithstanding the fact that the value of the property right will depend on consumers using electricity or, in those instances where consumers are customers of the electrical corporation, the electrical corporation performing certain services.

(12) (A) "Revenue balancing account" means a balancing account reflecting the balance between the electrical corporation's authorized revenue requirements relating to the volumetric sale of electricity and billed revenues associated with those sales. A revenue balancing account includes accounts reflecting the balance between the electrical corporation's authorized distribution base revenue requirements and recorded billed revenues from authorized distribution rates, and accounts reflecting the difference between the amount of the discount provided to consumers enrolled in the California Alternative Rates for Energy (~~"CARE"~~) (CARE) program and the CARE surcharge charged to non-CARE consumers.

(B) "Revenue balancing account" shall not include amounts reflecting the balance between costs and expenses relating to fuel and purchased electricity by the electrical corporation.

(13) "Service territory" means the geographical area that the electrical corporation provides with ~~electric~~ electrical distribution service.

(14) "True-up adjustment" means a formulaic adjustment to the fixed recovery charges as they appear on customer bills that is necessary to correct for any overcollection or undercollection of the fixed recovery charges authorized by a financing order and to otherwise ensure the timely and complete payment and recovery of recovery costs over the authorized repayment term.

SEC. 5. Section 850.1 of the Public Utilities Code is amended to read:

850.1. (a) If an electrical corporation files for recovery of recovery costs and the commission finds some or all of those costs and expenses to be just and reasonable pursuant to Section 451 or 451.1, as applicable, or the commission allocates to the ratepayers some or all of those costs and expenses pursuant to subdivision (c) of Section 451.2, the commission may issue a financing order to allow recovery through fixed recovery charges, which would therefore constitute recovery property under this article, and order that any portion of the electrical corporation's federal and State of California income and franchise taxes associated with those fixed recovery charges and not financed from proceeds of recovery bonds may be recovered through fixed recovery tax amounts.

(1) (A) ~~Following (i)~~ Except as provided in clause (ii), following application by an electrical corporation, the commission shall issue a financing order if the commission determines that both of the following conditions are satisfied:

~~(i)~~

(I) The recovery cost to be reimbursed from the recovery bonds have been found to be just and reasonable pursuant to Section 451 or 451.1, as applicable, or are allocated to the ratepayers pursuant to subdivision (c) of Section 451.2.

~~(ii)~~

(II) The issuance of the recovery bonds, including all material terms and conditions of the recovery bonds, including, without limitation, interest rates, rating, amortization redemption, and maturity, and the imposition and collection of fixed recovery charges as set forth in an application satisfy all of the following conditions, as applicable:

~~(i)~~

(ia) They are just and reasonable.

~~(ii)~~

(ib) They are consistent with the public interest.

~~(iii)~~

(ic) The recovery of recovery costs through the designation of the fixed recovery charges and any associated fixed recovery tax amounts, and the issuance of recovery bonds in connection with the fixed recovery charges, would reduce, to the maximum extent possible, the rates on a present value basis that consumers within the electrical corporation's service territory would pay as compared to the use of traditional utility financing mechanisms, which shall be calculated using the electrical corporation's corporate debt and equity in the ratio approved by the commission at the time of the financing order.

(ii) (I) Notwithstanding clause (i), following application by an electrical corporation pursuant to paragraph (3) of subdivision (a) of Section 850, the commission shall issue a financing order if the commission makes a determination that (1) the conditions set forth in subclause (II) of clause (i) are satisfied, and (2) the structure, marketing, and pricing of the bonds are expected to result in the lowest fixed recovery charges consistent with market conditions at the time at which the bonds would be priced. The issuance of recovery bonds pursuant to this clause is deemed to be consistent with the public interest.

(II) If the commission subsequently determines any costs or expenses included in the recovery bonds authorized by a financing order issued pursuant to subclause (i) are not just and reasonable pursuant to Section 451 or 451.1, the commission shall order the electrical corporation to credit ratepayers the disallowed costs and expenses

plus any costs and expenses resulting from the inclusion of the disallowed costs and expenses in the recovery bonds.

(B) The electrical corporation may request the determination specified in subparagraph (A) by the commission in a separate proceeding or in an existing proceeding or both. If the commission makes the determination specified in subparagraph (A), the commission shall establish, as part of the financing order, a procedure for the electrical corporation to submit applications from time to time to request the issuance of additional financing orders designating fixed recovery charges and any associated fixed recovery tax amounts as recoverable. The electrical corporation may submit an application with respect to recovery costs that an electrical corporation (i) has paid, (ii) has an existing legal obligation to pay, or (iii) would be obligated to pay pursuant to an executed settlement agreement. The commission shall, within 180 days of the filing of that application, issue a financing order, which may take the form of a resolution, if the commission determines that the amounts identified in the application are recovery costs.

(2) Fixed recovery charges and any associated fixed recovery tax amounts shall be imposed only on existing and future consumers in the service territory. Consumers within the service territory shall continue to pay fixed recovery charges and any associated fixed recovery tax amounts until the recovery bonds and associated financing costs are paid in full by the financing entity.

(3) An electrical corporation may exercise the same rights and remedies under its tariff and applicable law and regulation based upon a consumer's nonpayment of fixed recovery charges and any associated fixed recovery tax as it could for a consumer's failure to pay any other charge payable to that electrical corporation.

(b) The commission may establish in a financing order an effective mechanism that ensures recovery of recovery costs through nonbypassable fixed recovery charges and any associated fixed recovery tax amounts from existing and future consumers in the service territory, and those consumers shall be required to pay those charges until the recovery bonds and all associated financing costs are paid in full by the financing entity, at which time those charges shall be terminated. Fixed recovery charges shall be irrevocable, notwithstanding the true-up adjustment pursuant to subdivision (g).

(c) Recovery bonds authorized by the commission's financing orders may be issued in one or more series on or before December 31, 2035.

(d) The commission shall issue financing orders in accordance with this article to facilitate the recovery, financing, or refinancing of recovery costs. A financing order may be adopted only upon the application of the electrical corporation and shall become effective in accordance with its terms only after the electrical corporation files with the commission the electrical corporation's written consent to all terms and conditions of the financing order. A financing order may specify how amounts collected from a consumer shall be allocated between fixed recovery charges, any associated fixed recovery tax amounts, and other charges.

(e) Notwithstanding Section 455.5 or 1708, or any other law, and except as otherwise provided in subdivision (g), with respect to recovery property that has been made the basis for the issuance of recovery bonds and with respect to any associated fixed recovery tax amounts, the financing order, the fixed recovery charges, and any associated fixed recovery tax amounts shall be irrevocable. The commission shall not, either by rescinding, altering, or amending the financing order or otherwise, revalue

or revise for ratemaking purposes the recovery costs or the costs of recovering, financing, or refinancing the recovery costs, in any way reduce or impair the value of recovery property or of the right to receive any associated fixed recovery tax amounts either directly or indirectly by taking fixed recovery charges or any associated fixed recovery tax amounts into account when setting other rates for the electrical corporation or when setting charges for the Department of Water Resources. The amount of revenues shall not be subject to reduction, impairment, postponement, or termination. The State of California does hereby pledge and agree with the electrical corporation, owners of recovery property, financing entities, and holders of recovery bonds that the state shall neither limit nor alter, except as otherwise provided with respect to the true-up adjustment of the fixed recovery charges pursuant to subdivision (i), the fixed recovery charges, any associated fixed recovery tax amounts, recovery property, financing orders, or any rights under a financing order until the recovery bonds, together with the interest on the recovery bonds and associated financing costs, are fully paid and discharged, and any associated fixed recovery tax amounts have been satisfied or, in the alternative, have been refinanced through an additional issue of recovery bonds, provided that nothing contained in this section shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of the electrical corporation and of owners and holders of the recovery bonds. The financing entity is authorized to include this pledge and undertaking for the state in these recovery bonds. When setting other rates for the electrical corporation, nothing in this subdivision shall prevent the commission from taking into account either of the following:

(1) Any collection of fixed recovery charges in excess of amounts actually required to pay recovery costs financed or refinanced by recovery bonds.

(2) Any collection of fixed recovery tax amounts in excess of amounts actually required to pay federal and State of California income and franchise taxes associated with fixed recovery charges, provided that this would not result in a recharacterization of the tax, accounting, and other intended characteristics of the financing, including, but not limited to, either of the following:

(A) Treating the recovery bonds as debt of the electrical corporation or its affiliates for federal income tax purposes.

(B) Treating the transfer of the recovery property by the electrical corporation as a true sale for bankruptcy purposes.

(f) (1) Neither financing orders nor recovery bonds issued under this article shall constitute a debt or liability of the state or of any political subdivision thereof, nor shall they constitute a pledge of the full faith and credit of the state or any of its political subdivisions, but are payable solely from the funds provided therefor under this article and shall be consistent with Sections 1 and 18 of Article XVI of the California Constitution. All recovery bonds shall contain on the face thereof a statement to the following effect: "Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or interest on, this bond."

(2) The issuance of recovery bonds under this article shall not directly, indirectly, or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation therefor or to make any appropriation for their payment.

(g) The commission shall establish procedures for the expeditious processing of an application for a financing order, which shall provide for the approval or disapproval of the application within 120 days of the application. Any fixed recovery charge

authorized by a financing order shall appear on consumer bills. The commission shall, in any financing order, provide for a procedure for periodic true-up adjustments to fixed recovery charges, which shall be made at least annually and may be made more frequently. The electrical corporation shall file an application with the commission to implement any true-up adjustment.

(h) Fixed recovery charges are recovery property when, and to the extent that, a financing order authorizing the fixed recovery charges has become effective in accordance with this article, and the recovery property shall thereafter continuously exist as property for all purposes, and all of the rights and privileges relating to that property accorded by this article shall continuously exist for the period and to the extent provided in the financing order, but in any event until the recovery bonds are paid in full, including all principal, premiums, if any, and interest with respect to the recovery bonds, and all associated financing costs are paid in full. A financing order may provide that the creation of recovery property shall be simultaneous with the sale of the recovery property to a transferee or assignee as provided in the application of the pledge of the recovery property to secure the recovery bonds.

(i) Recovery costs shall not be imposed upon customers participating in the California Alternative Rates for Energy or Family Electric Rate Assistance programs discount pursuant to Section 739.1.

(j) Any successor to a financing entity shall be bound by the requirements of this article and shall perform and satisfy all obligations of, and have the same rights under a financing order as and to the same extent as, the financing entity, including the obligation to collect and pay energy transition revenues to persons entitled to receive the revenues.

(k) This article and any financing order made pursuant to this article do not amend, reduce, modify, or otherwise affect the right of the Department of Water Resources to recover its revenue requirements and to receive the charges that it is to recover and receive pursuant to Division 27 (commencing with Section 80000) and Division 28 (commencing with Section 80500) of the Water Code, or pursuant to any agreement entered into by the commission and the Department of Water Resources pursuant to the applicable division.

SEC. 6. Section 1701.8 of the Public Utilities Code is amended to read:

1701.8. (a) For purposes of this section, the following definitions apply:

(1) "Covered wildfire" means any wildfire ignited on or after July 12, 2019, for which either of the following is satisfied:

(A) The governmental agency responsible for determining causation or a court of competent jurisdiction determines the wildfire was caused by an electrical corporation.

(B) Asserted to have been caused by an electrical corporation and results in a court-approved dismissal resulting from the settlement of third-party damage claims.

(2) "Wildfire Fund" means the Wildfire Fund created pursuant to Section 3284.

(b) The following procedures and standards apply to a catastrophic wildfire proceeding:

(1) (A) An electrical corporation may file an application pursuant to Section 451 or 451.1, as applicable, at any time after it has paid, or entered into binding commitments to pay, all or, if authorized by the commission for good cause, substantially all third-party damage claims, including payments made pursuant to judgments or

settlement agreements related to a covered wildfire. Except as authorized by the commission for good cause, before filing the application, the electrical corporation shall exhaust all rights to indemnification or other claims, contractual or otherwise, against any third parties, including collecting insurance proceeds, related to the covered wildfire.

(B) If an electrical corporation has received payments from the Wildfire Fund for a third-party damage claim for the covered wildfire, the electrical corporation shall file an application to recover the costs pursuant to subparagraph (A) no later than the earlier of the following:

(i) The date when it has resolved all third-party damage claims and exhausted all right to indemnification or other claims, contractual or otherwise, against any third parties, including collecting insurance proceeds, related to the covered wildfire.

(ii) The date that is 45 days after the date the administrator requests the electrical corporation to file the application.

(C) If an electrical corporation issues recovery bonds authorized pursuant to a financing order issued pursuant to subparagraph (B) of paragraph (1) of subdivision (a) of Section 850.1, the electrical corporation shall file an application pursuant to subparagraph (A) for a determination of the just and reasonableness of the costs and expenses included in the recovery bonds no later than the earlier of the following:

(i) The date when the electrical corporation has resolved all third-party damage claims and exhausted all rights to indemnification or other claims, contractual or otherwise, against any third parties, including collecting insurance proceeds, related to the covered wildfire.

(ii) The date that is 45 days after the date the commission requests the electrical corporation to file the application.

(2) The president of the commission, upon the initiation of a catastrophic wildfire proceeding by the filing of an application pursuant to paragraph (1), shall assign a commissioner to act as the presiding officer in the proceeding and an administrative law judge to assist in conducting the proceeding.

(3) Within 15 days of the filing date of the application, the commission shall notice a prehearing conference, which shall be held within 25 days of the filing date.

(4) (A) Within 30 days of the filing date of the application, the assigned commissioner shall prepare and issue, by order or ruling, a scoping memorandum that states that the scope of the proceeding shall be whether the electrical corporation's costs and expenses for the covered wildfire are just and reasonable pursuant to Section 451 or 451.1, as applicable.

(B) The scoping memorandum shall establish a schedule for the proceeding, including the date of issuance of a proposed decision that is no later than 12 months after the filing date of the application.

(C) The assigned commissioner may extend the time established in the scoping memorandum for the date of issuance of a proposed decision by up to six months upon a showing of good cause.

SEC. 7. Section 3280 of the Public Utilities Code is amended to read:

3280. For purposes of this part, all of the following definitions apply:

(a) "Account" means the Continuation Account created pursuant to Section 3298. This subdivision shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299.

(b) "Account assets" means the sum of all moneys and invested assets held in the account, which shall include, without limitation, any loans or other investments made by the state to the account, all interest or other income from the investment of money held in the account, any other funds specifically designated for the account by applicable law, the proceeds of any special charge or continuation of existing charge allocated to and deposited into the account, reinsurance, and the proceeds of any bonds issued for the benefit of the account. This subdivision shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299.

~~(a)~~

(c) "Administrator" means the Wildfire Fund Administrator appointed pursuant to Section 8899.72 of the Government Code.

~~(b)~~

(d) "Annual contribution" means ~~10~~ either of the following:

(1) For purposes of Chapter 2 (commencing with Section 3281) and Chapter 3 (commencing with Section 3291), 10 installments totaling either of the following:

~~(1)~~

(A) For an electrical corporation that qualifies as a large electrical corporation at the end of the prior calendar year, an amount equal to three hundred million dollars (\$300,000,000) multiplied by the Wildfire Fund allocation metric.

~~(2)~~

(B) For an electrical corporation that qualifies as a regional electrical corporation at the end of the prior calendar year, an amount equal to twenty-five dollars (\$25) multiplied by the number of customer accounts serviced by the electrical corporation within the state at the end of that calendar year.

(2) For purposes of Chapter 4 (commencing with Section 3298) and Chapter 5 (commencing with Section 3299), for a large electrical corporation, the amount determined pursuant to Section 3299.3. This paragraph shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299.

~~(e)~~

(e) "Council" means the California Catastrophe Response Council created pursuant to Section 8899.70 of the Government Code.

~~(d) "Covered~~

(f) (1) For purposes of Chapter 2 (commencing with Section 3281) and Chapter 3 (commencing with Section 3291), "covered wildfire" has the same meaning as set forth in Section 1701.8.

(2) For purposes of Chapter 4 (commencing with Section 3298) and Chapter 5 (commencing with Section 3299), "covered wildfire" means a wildfire ignited on or after the effective date of this paragraph. This paragraph shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299.

~~(e)~~

(g) "Electrical corporation" has the same meaning as set forth in Section 218.

~~(f)~~

(h) "Eligible claims" means claims for third-party damages against an electrical corporation resulting from covered wildfires exceeding the greater of (1) one billion

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dollars (\$1,000,000,000) in the aggregate in any year, or (2) the amount of the insurance coverage required to be in place for the electrical corporation pursuant to Section ~~3293~~, 3293 or 3299.4, as appropriate, measured by the amount of that excess.

~~(g)~~

(i) “Fund” means the Wildfire Fund created pursuant to Section 3284.

~~(h)~~

(j) “High fire-threat district” means areas identified as tier 2 (elevated) or tier 3 (extreme) fire risk on the fire-threat map maintained by the commission.

~~(i)~~

(k) “Initial contribution” means either of the following:

(1) For a large electrical corporation, an amount equal to seven billion five hundred million dollars (\$7,500,000,000) multiplied by the Wildfire Fund allocation metric.

(2) For a regional electrical corporation, an amount equal to six hundred twenty-five dollars (\$625) multiplied by the number of customer accounts serviced by the electrical corporation within the state as of July 12, 2019.

~~(j)~~

(l) “Insolvency proceeding” means a bankruptcy, insolvency, liquidation, reorganization, or similar proceeding brought pursuant to Title 11 of the United States Code.

~~(k)~~

(m) “Large electrical corporation” means an electrical corporation with 250,000 or more customer accounts within the state.

~~(l)~~

(n) “Participating electrical corporation” means an electrical corporation that satisfies the conditions to participate in the fund pursuant to Section 3291 or 3292, as applicable.

~~(m)~~

(o) “Regional electrical corporation” means an electrical corporation with less than 250,000 customer accounts within the state.

~~(n)~~

(p) “Wildfire Fund allocation metric” means, for each large electrical corporation, the arithmetic average of (1) the land area of the electrical corporation’s territory, measured in square miles, in the high fire-threat districts as a proportion of all large electrical corporations’ territory in the high fire-threat districts and (2) the electrical corporation’s line miles of transmission and distribution lines in the high fire-threat districts as a proportion of all large electrical corporations’ line miles of transmission and distribution lines in the high fire-threat districts. The large electrical corporations’ averages shall then be adjusted to account for risk mitigation efforts. This adjustment shall reduce the allocation to electrical corporations that have invested historically in mitigation efforts and those allocations shall be reallocated to the other electrical corporations based on their proportionate share resulting from the initial calculation above. The Wildfire Fund allocation metric shall be determined by the Director of Finance no later than July 17, 2019. It is the expectation of the Legislature that the Wildfire Fund allocation metric is 64.2 percent for Pacific Gas and Electric Company, 31.5 percent for Southern California Edison Company, and 4.3 percent for San Diego Gas and Electric Company. If a new electrical corporation that is a large electrical

corporation is admitted to the Wildfire Fund, the administrator shall promptly determine and publish a revised Wildfire Fund allocation metric based on the factors set forth in this subdivision.

(o)

(q) “Wildfire Fund assets” means the sum of all moneys and invested assets held in the fund, which shall include, without limitation, any loans or other investments made by the state to the fund, all interest or other income from the investment of money held in the fund, any other funds specifically designated for the fund by applicable law, the proceeds of any special charge ~~(or or continuation of existing charge)~~ charge allocated to and deposited into the fund, reinsurance, and the proceeds of any bonds issued for the benefit of the fund.

SEC. 8. Section 3292 of the Public Utilities Code is amended to read:

3292. (a) If, no later than July 27, 2019, each large electrical corporation not subject to an insolvency proceeding on July 12, 2019, notifies the commission of its commitment to provide the initial contribution and the annual contributions, and subsequently provides its initial contribution as set forth in paragraph (3) of subdivision (b), the fund shall be established to pay eligible claims as set forth in subdivision (f) and obtain reimbursement from electrical corporations as set forth in subdivision (h).

(b) Except as provided in subdivision (d), to participate in the fund established pursuant to subdivision (a), an electrical corporation shall satisfy the following conditions by no later than June 30, 2020:

(1) The electrical corporation is not, and has not been since July 12, 2019, the subject of an insolvency proceeding or on criminal probation unless the electrical corporation meets the following conditions:

(A) The electrical corporation’s insolvency proceeding has been resolved pursuant to a plan or similar document not subject to a stay.

(B) The bankruptcy court or a court of competent jurisdiction, in the insolvency proceeding, has determined that the resolution of the insolvency proceeding provides funding or establishes reserves for, provides for assumption of, or otherwise provides for satisfying any prepetition wildfire claims asserted against the electrical corporation in the insolvency proceeding in the amounts agreed upon in any pre-insolvency proceeding settlement agreements or any post-insolvency settlement agreements, authorized by the court through an estimation process or otherwise allowed by the court.

(C) The commission has approved the reorganization plan and other documents resolving the insolvency proceeding, including the electrical corporation’s resulting governance structure as being acceptable in light of the electrical corporation’s safety history, criminal probation, recent financial condition, and other factors deemed relevant by the commission.

(D) The commission has determined that the reorganization plan and other documents resolving the insolvency proceeding are (i) consistent with the state’s climate goals as required pursuant to the California Renewables Portfolio Standard Program and related procurement requirements of the state and (ii) neutral, on average, to the ratepayers of the electrical corporation.

(E) The commission has determined that the reorganization plan and other documents resolving the insolvency proceeding recognize the contributions of

ratepayers, if any, and compensate them accordingly through mechanisms approved by the commission, which may include sharing of value appreciation.

(2) For a regional electrical corporation, it has voluntarily established a charge required by the commission pursuant to Section 3289. This charge shall be included on monthly bills for customers. Collections on that charge shall be remitted, on a monthly basis, to the administrator for deposit into the fund.

(3) Except as provided in subdivision (e), the electrical corporation has provided its initial contribution to the fund no later than September 10, 2019. Initial contributions shall not be recovered from the ratepayers of an electrical corporation, except Golden State Energy.

(c) Each participating electrical corporation shall make its annual contribution by January 1 of each calendar year, including, without limitation, any annual contributions for calendar years in which the electrical corporation, or another electrical corporation to which the electrical corporation is the successor, was not a participating electrical corporation. Annual contributions shall not be recovered from the ratepayers of an electrical corporation, except Golden State Energy.

(d) (1) The administrator may, and in the case of Golden State Energy shall, authorize an electrical corporation that is formed after July 12, 2019, to participate in the fund if the administrator determines that the electrical corporation meets the requirements of this section. Authorization of an electrical corporation that is formed after July 12, 2019, shall be effective as of a date determined by the administrator and shall apply to covered wildfires after the date of authorization.

(2) If Golden State Energy is the successor to Pacific Gas and Electric Company and Pacific Gas and Electric Company made its initial contribution and, if applicable, annual contributions to the fund, the administrator shall not require Golden State Energy to commit to making, or make, its own initial contribution, or annual contributions for a period for which Pacific Gas and Electric Company already made its annual contributions, in order to participate in the fund and the administrator shall authorize Golden State Energy to participate in the fund if Golden State Energy, within 15 days of closing of the acquisition of Pacific Gas and Electric Company, notifies the commission of its commitment to make annual contributions to the fund.

(e) An electrical corporation that is the subject of an insolvency proceeding on July 12, 2019, that wishes to participate in the fund shall (1) no later than July 27, 2019, provide written notification to the commission of its election to participate in the fund, and (2) no later than September 10, 2019, obtain approval from the bankruptcy court or a court of competent jurisdiction of its determination to pay, and approval of its payment of, the initial contribution and, as they become due, annual contributions to the fund, provided that the contributions shall not be due to the fund until the date the electrical corporation exits the insolvency proceeding. The electrical corporation shall not be entitled to seek payments from the fund pursuant to subdivision (f) until it has funded its initial contribution and has met the other conditions provided in subdivision (b). Participation of an electrical corporation that is the subject of an insolvency proceeding that satisfies the requirements of this subdivision shall be effective as of July 12, 2019, and shall apply to covered wildfires, provided that the fund shall not pay more than 40 percent of the allowed amount of a claim arising between July 12, 2019, and the date the electrical corporation exits bankruptcy, with the balance of those claims being addressed through the insolvency proceeding.

(f) (1) An electrical corporation meeting the applicable requirements of subdivision (b) may seek payment from the fund to satisfy settled or finally adjudicated eligible claims. Only eligible claims shall be made against or paid by the fund. In accordance with the procedures established by the administrator, the administrator shall review and approve any settlement of an eligible claim as being in the reasonable business judgment of the electrical corporation before releasing funds to the electrical corporation for payment. Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the administrator shall be paid unless the administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of such business judgment. To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.

(2) The administrator shall approve a settlement of an eligible claim that is a subrogation claim if the settlement exceeds 40 percent of the total asserted claim value, as determined by the administrator, and includes a full release of the balance of the asserted claim so long as the administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms. A subrogation claim that is finally adjudicated shall be paid in the full judgment amount.

(g) Except for Golden State Energy, all initial and annual contributions shall be excluded from the measurement of the authorized capital structure.

(h) (1) Except as provided in paragraph (2), within six months after the commission adopts a decision in an application filed pursuant to Section 1701.8, the electrical corporation shall reimburse the fund for the full amount of costs and expenses the commission determined were disallowed pursuant to Section 1701.8.

(2) (A) The obligation of an electrical corporation to reimburse the fund shall be the lesser amount of subparagraph (B) or (C).

(B) The costs and expenses determined not to be just and reasonable pursuant to Section 1701.8.

(C) (i) ~~(I)~~ The amount determined pursuant to ~~clause (i)~~ sub-subclause (ia) minus the amount determined pursuant to ~~clause (ii)~~ sub-subclause (ib).

~~(i) (I)~~

(ia) (IA) Except as specified in ~~subclause (II)~~, sub-sub-subclause (IB), for each electrical corporation, 20 percent of the electrical corporation's total transmission and distribution equity rate base, including, but not limited to, its Federal Energy Regulatory Commission (FERC) assets, as determined by the administrator for the calendar year in which the disallowance occurred.

~~(II)~~

(IB) For Golden State Energy's first twelve months of participation in the fund, an amount equal to 20 percent of Pacific Gas and Electric Company's total transmission and distribution equity rate base, including, but not limited to, its Federal Energy Regulatory Commission assets, at the time of the closing of the acquisition of Pacific Gas and Electric Company, as determined by the commission. For Golden State Energy's subsequent years of participation in the fund, an amount determined by the

commission that is equivalent to the amount specified in subclause (I) for electrical corporations with an equity rate base.

~~(ii)~~

~~(ib)~~ The sum of ~~(I)~~ the amounts actually reimbursed to the fund for costs and expenses that were determined not to be just and reasonable pursuant to Section 1701.8 during the measurement period, added to ~~(H)~~ the amount of any reimbursements to the fund owed by the electrical corporation for costs and expenses disallowed during the measurement period that have not yet been paid.

~~(iii)~~

~~(II)~~ For purposes of this ~~subparagraph~~, clause, “measurement period” means the period of three consecutive calendar years ending on December 31 of the year in which the calculation is being performed.

~~(III)~~ This clause shall become inoperative upon all large electrical corporations electing to participate in the account pursuant to Section 3299.

~~(ii)~~ (I) The amount determined pursuant to sub-subclause (ia) minus the amount determined pursuant to sub-subclause (ib).

(ia) Twenty percent of the electrical corporation’s total transmission and distribution equity base, including, but not limited to, its Federal Energy Regulatory Commission (FERC) assets, as determined by the administrator for the calendar year in which the ignition of the covered wildfire occurred.

(ib) The sum of the amounts actually reimbursed to the fund for costs and expenses that were determined not to be just and reasonable pursuant to Section 1701.8 during the measurement period, added to the amount of any reimbursements to the fund owed by the electrical corporation for measurement costs disallowed that have not yet been paid.

(II) For purposes of this clause, “measurement costs” means costs and expenses that arose out of any covered wildfire ignited within three years of the ignition of the wildfire that is the subject to the application.

(III) This clause shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299.

(D) The administrator shall publish calculations of the amounts determined pursuant to subparagraphs (B) and (C) on or before January 1 of each calendar year for each electrical corporation.

(E) Except as provided in paragraph (3), the electrical corporation shall not be required to reimburse the fund for any additional amounts in any three-calendar-year period.

(F) The limitation set forth in this section shall apply only so long as the fund has not been terminated pursuant to subdivision (i).

(3) Paragraph (2) does not apply under either of the following circumstances:

(A) If the administrator determines that the electrical corporation’s actions or inactions that resulted in the covered wildfire constituted conscious or willful disregard of the rights and safety of others.

(B) If the electrical corporation failed to maintain a valid safety certification on the date of the ignition.

(i) (1) The administrator shall, to the extent practicable, manage the fund to prioritize the use of electrical corporation contributions before the use of ratepayer contributions.

(2) The fund shall terminate when the administrator determines that the fund resources are exhausted, taking into account the amount of any unpaid liabilities including necessary reserves, any remaining unpaid annual contributions from participating electrical corporations, and the charges authorized pursuant to Section 3289. Upon the determination of the administrator that the fund shall be terminated, the administrator shall pay all remaining eligible claims and fund expenses, and liquidate any remaining assets. The remaining funds shall be transferred to the General Fund. It is the intent of the Legislature that any funds transferred to the General Fund pursuant to this paragraph shall be appropriated to support wildfire mitigation.

(j) Notwithstanding subdivision (f), a regional electrical corporation's access to the fund to pay eligible claims shall be limited to three times the sum of the regional electrical corporation's initial contribution and any funded annual contributions per covered wildfire.

SEC. 9. Chapter 4 (commencing with Section 3298) is added to Part 6 of Division 1 of the Public Utilities Code, to read:

Chapter 4. The Continuation Account

3298. (a) There is hereby created the Continuation Account in the Wildfire Fund, which is hereby continued in existence, which is administered by the administrator. Moneys in the account are separate and distinct from any moneys in the fund and shall be allocated solely for purposes of Chapter 5 (commencing with Section 3299).

(b) All of the following revenues shall be deposited into the account:

(1) The annual contribution and any additional contribution from a large electrical corporation pursuant to Section 3299.3.

(2) Revenues generated from the ratepayers of each large electrical corporation through a nonbypassable charge extended by the commission pursuant to Section 3299.2.

(3) Proceeds of bonds allocated to the account as provided in Section 80540 of the Water Code.

(c) Notwithstanding Section 13340 of the Government Code, the moneys in the account are continuously appropriated, without regard to fiscal years, to the administrator for purposes of Chapter 5 (commencing with Section 3299).

(d) (1) To the extent practicable, the administrator shall manage the account to prioritize the use of contributions from large electrical corporations before the use of contributions from ratepayers.

(2) The account shall terminate when the administrator determines that the resources are exhausted, taking into account the amount of any unpaid liability, including necessary reserves, any unpaid annual contributions and additional contributions from large electrical corporations, and the nonbypassable charge authorized pursuant to Section 3299.2. Upon the determination of the administrator that the account shall be terminated, the administrator shall pay all remaining eligible claims and account expenses, and liquidate any remaining assets.

3298.1. The administrator shall carry out the duties of this part and may do all of the following, subject to the oversight of the council:

(a) Retain, employ, or contract with officers, experts, employees, accountants, actuaries, financial professionals, and other executives, advisers, consultants, attorneys, and professionals as may be necessary in the administrator's judgment for the efficient operation and administration of the account.

(b) Enter into contracts and other obligations relating to the operation, management, and administration of the account.

(c) Invest the moneys in the account in those securities eligible under Section 16430 of the Government Code.

(d) Review and approve claims and settlements, and provide funds to large electrical corporations for the purposes of paying eligible claims.

(e) Buy insurance or take other actions to maximize the claims-paying resources of the account.

(f) Pay costs, expenses, and other obligations of the account from account assets.

(g) Take any actions necessary to collect any amounts owing to the account from large electrical corporations.

(h) Undertake other activities related to the operation, management, and administration of the account, as approved by the council.

3298.2. There shall be a limited civil immunity, and no criminal liability in a private capacity, as a result of any act performed or omitted or obligation entered into in an official capacity, when done or omitted in good faith and without intent to defraud, on the part of the council, the administrator, or on the part of any officer, employee, or agent of the account. The State of California shall have no liability for payment of claims in excess of funds available pursuant to this part. The State of California, and any of the funds of the State of California, shall have no obligations whatsoever for payment of claims or costs arising from this part, except as specifically provided in this chapter.

3298.3. Upon the determination by the administrator that additional annual contributions are necessary pursuant to Section 3299.1, the council shall direct the administrator to prepare and present for approval a plan of operations related to the operations, management, and administration of the account on an annual basis. At least annually, the council shall direct the administrator to present the plan of operations to the appropriate policy committees of the Legislature. The plan of operations shall include, but not be limited to, reporting on the account assets, projections for the durability of the account, the success of the account, whether or not the account is serving its purpose, and a plan for winding up the account if projections demonstrate that the account will be exhausted within the next three years.

3298.4. The Director of Finance may, at any time, examine the books and records of the council and the administrator relating to the operation, management, and administration of the account.

3298.5. (a) On January 1 of the year following the date on which the administrator determines that additional annual contributions are necessary pursuant to Section 3299.1, and annually thereafter, the council, with the assistance of the administrator, shall prepare and file with the Legislature and the Department of Finance reports regarding the formation, administration, and disposition of the account.

(b) A report submitted to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

3298.6. This chapter shall become inoperative if a large electrical corporation elects not to participate pursuant to Section 3299 and is repealed on January 1 of the year following the notification by the commission pursuant to subdivision (c) of Section 3299.

SEC. 10. Chapter 5 (commencing with Section 3299) is added to Part 6 of Division 1 of the Public Utilities Code, to read:

Chapter 5. Operation of the Account

3299. (a) (1) (A) Within 15 days of the effective date of this chapter, each large electrical corporation shall provide to the commission a written notification of its election to participate, or not to participate, in the account and provide, if applicable, annual contributions and additional contributions pursuant to this chapter.

(B) A large electrical corporation's election to participate in the account shall be considered as its agreement to do all of the following:

(i) To authorize the administration of the account by the administrator pursuant to this chapter and Chapter 4 (commencing with Section 3298).

(ii) To provide an annual contribution pursuant to subdivision (a) of Section 3299.3 and any additional contributions pursuant to subdivision (b) of Section 3299.3.

(iii) To consent to the changes in the operation of the fund as provided in clause (ii) of subparagraph (C) of paragraph (2) of subdivision (h) of Section 3292, as that provision read on the effective date of this chapter.

(iv) To authorize the use of the Wildfire Fund assets and account assets for purposes of Section 719, as added by the measure adding this chapter.

(2) A large electrical corporation that fails to provide the notification pursuant to this subdivision is deemed to have elected not to participate in the account.

(b) If all large electrical corporations provide written notification to the commission of their election to participate in the account and their commitment to provide annual contributions and additional contributions pursuant to this chapter, the commission shall notify the administrator, the Secretary of State, and the Legislative Counsel of the election.

(c) If a notification provided pursuant to subdivision (a) indicates that a large electrical corporation has elected not to participate in the account, or if a large electrical corporation fails to provide the notification pursuant to subdivision (a), the commission shall provide notification of the nonparticipation to the administrator, Secretary of State, and the Legislative Counsel and this chapter shall become inoperative on the date of the notification and is repealed on January 1 of the year following the notification.

3299.1. (a) On or after the date the commission provides the notification pursuant to subdivision (b) of Section 3299, but not later than December 31, 2028, the administrator may determine if additional annual contributions pursuant to subdivision (b) of Section 3299.3 are required for either of the following reasons:

(1) Absent additional annual contributions, the administrator would provide a plan for winding up the fund pursuant to Section 3283.

(2) The administrator receives a notification from a large electrical corporation that it has a reasonable belief that it likely will have eligible claims for a single coverage year resulting from one or more covered wildfires.

(b) If the administrator determines that additional contributions are required, the administrator shall provide notification to the commission, the Department of Water Resources, and each large electrical corporation of its determination.

3299.2. (a) Within 15 days of receiving the notification pursuant to Section 3299.1, the commission shall initiate a rulemaking proceeding to consider using its authority pursuant to Section 701 to require each large electrical corporation to collect a nonbypassable charge from ratepayers of each large electrical corporation to support the account, including the payment of bonds issued pursuant to paragraph (2) of subdivision (a) of Section 80540 of the Water Code, in an amount sufficient to fund the revenue requirement as established pursuant to Section 80524 of the Water Code.

(b) If the commission determines that the imposition of the charge described in subdivision (a) is just and reasonable, and that it is just and reasonable to exercise its authority pursuant to Section 701 to do so, the commission shall direct each large electrical corporation to impose and collect that charge commencing February 1, 2036. The charge shall be collected in the same manner as that for the payments made to reimburse the Department of Water Resources under paragraph (2) of subdivision (a) of Section 3289.

(c) Notwithstanding other law, no later than 90 days after the initiation of the rulemaking proceeding, the commission shall adopt a decision regarding the imposition of the charge.

(d) Notwithstanding Sections 455.5 and 1708, or any other law, the commission shall not revise, amend, or otherwise modify a decision to impose a charge imposed pursuant to this section before January 1, 2046.

3299.3. (a) (1) If the commission imposes a nonbypassable charge pursuant to Section 3299.2, each large electrical corporation shall provide to the administrator for deposit into the account its annual contribution, as determined pursuant to paragraph (2), by January 1 of each year from calendar year 2029 to 2045, inclusive, except, if the commission's decision to impose the nonbypassable charge was made on or after January 1, 2029, the annual contribution for calendar year 2029 shall be made within 90 days of the commission's decision.

(2) The aggregate total of the annual contributions from the large electrical corporations for each year shall be three hundred million dollars (\$300,000,000) and shall be allocated as follows:

(A) 47.85 percent for Pacific Gas and Electric Company.

(B) 47.85 percent for Southern California Edison Company.

(C) 4.30 percent for San Diego Gas and Electric Company.

(b) (1) In addition to subdivision (a), if the administrator determines that additional contributions from large electrical corporations are needed to enable the account to fund the timely payment of eligible claims due to the likelihood of exhaustion of revenues in the account, including the proceeds to bonds issued pursuant to Section 80540 of the Water Code, the administrator shall notify each large electrical corporation that additional contributions, with an aggregate total of three billion nine hundred million dollars (\$3,900,000,000), is required. The proportionate share of those additional contributions shall be allocated to large electrical corporations as described in paragraph (2) of subdivision (a) and each large electrical corporation shall pay its proportionate share of the additional contributions to the administrator in equal installments over a five-year period. Each large electrical corporation shall pay its proportionate share of

the additional contributions within 120 days of the administrator notifying the large electrical corporation and on the anniversary of its first installment payment each year thereafter.

(2) If the administrator winds up and terminates the account before the final installment payment is paid pursuant to paragraph (1), the large electrical corporation shall provide one-half of the remaining unpaid installment payments pursuant to paragraph (1) as rate credits to its ratepayers.

(c) Contributions made pursuant to this section shall not be recovered from the ratepayers of a large electrical corporation and shall be excluded from the measurement of its authorized capital structure.

(d) If a large electrical corporation is required to reimburse the account in accordance with subdivision (b) of Section 3299.10, the large electrical corporation may reduce the amount required to be reimbursed by the amount of contributions it has paid pursuant to this section for which the large electrical corporation has not claimed a reduction pursuant to this subdivision.

3299.4. A large electrical corporation shall maintain reasonable insurance coverage. The administrator shall periodically review and make a recommendation as to the appropriate amount of insurance coverage required, taking into account the availability of insurance, the large electrical corporation's service territory, including the fire risk of the territory, the size of the territory, and the value of the real estate in the territory, the safety record of the large electrical corporation, the wildfire mitigation measures implemented by the large electrical corporation, the impact to the ratepayers, and other factors deemed appropriate by the administrator.

3299.10. (a) A large electrical corporation may seek payment from the account to satisfy settled or finally adjudicated eligible claims. Only eligible claims shall be made against or paid by the account. In accordance with the procedures established by the administrator, the administrator shall review and approve any settlement of an eligible claim as being in the reasonable business judgment of the large electrical corporation before releasing funds to the large electrical corporation for payment. To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.

(b) (1) Except as provided in paragraph (2), within six months of the commission adopting a decision for an application filed pursuant to Section 1701.8, a large electrical corporation shall reimburse the account for the full amount of costs and expenses the commission determined were disallowed pursuant to Section 1701.8.

(2) (A) The requirement on a large electrical corporation to reimburse the account shall be the lesser amount of subparagraph (B) or (C).

(B) The costs and expenses determined not to be just and reasonable pursuant to Section 1701.8.

(C) (i) The amount determined pursuant to clause (ii) minus the amount determined pursuant to clause (iii).

(ii) Twenty percent of the large electrical corporation's total transmission and distribution equity rate base, including, but not limited to, its Federal Energy Regulatory Commission (FERC) assets, as determined by the administrator for the calendar year in which the ignition of the covered wildfire occurred.

(iii) The sum of the amounts actually reimbursed to the account for costs and expenses that were determined not to be just and reasonable pursuant to Section 1701.8

during the measurement period, added to the amount of any reimbursements to the account owed by the large electrical corporation for measurement costs disallowed that have not yet been paid.

(iv) For purposes of this subparagraph, “measurement costs” means costs and expenses that arose out of any covered wildfire ignited within three years of the ignition of the wildfire that is the subject of the application.

(D) The administrator shall publish calculations of the amounts determined pursuant to subparagraphs (B) and (C) on or before January 1 of each calendar year for each large electrical corporation.

(E) Except as provided in paragraph (3), a large electrical corporation shall not be required to reimburse the account for any additional amounts for any measurement period.

(F) The limitation set forth in this section shall apply only so long as the account has not been terminated pursuant to paragraph (2) of subdivision (d) of Section 3298.

(3) Paragraph (2) does not apply under either of the following circumstances:

(A) If the administrator determines that the large electrical corporation’s actions or inactions that resulted in the covered wildfire constituted conscious or willful disregard of the rights and safety of others.

(B) If the large electrical corporation failed to maintain a valid safety certification on the date of the ignition.

3299.20. This chapter shall become inoperative if a large electrical corporation elects not to participate pursuant to Section 3299 and is repealed on January 1 of the year following a notification by the commission pursuant to subdivision (c) of Section 3299.

SEC. 11. Section 80506 of the Water Code is amended to read:

80506. As used in this division, unless the context otherwise requires, all of the following terms have the following meanings:

(a) “Account” means the Continuation Account created pursuant to Section 3298 of the Public Utilities Code. This subdivision shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299 of the Public Utilities Code.

~~(a)~~

~~(b)~~ “Administrator” has the same meaning as defined in Section 3280 of the Public Utilities Code.

~~(b)~~

~~(c)~~ “Bonds” means bonds, notes, or other evidences of indebtedness issued solely for purposes of supporting the Wildfire Fund or the account and other related expenses incurred by the department pursuant to this division, or for reimbursing expenditures from the fund or the Wildfire Fund or the account for those purposes; repaying to the Surplus Money Investment Fund any loans made to the Wildfire Fund; establishing or maintaining reserves in connection with the bonds; costs of issuance of bonds or incidental to their payment or security; capitalized interest; or renewing or refunding any bonds.

~~(c)~~

~~(d)~~ “Commission” means the Public Utilities Commission.

~~(d)~~

~~(e)~~ “Electrical corporation” means a large electrical corporation, as defined in Section 3280 of the Public Utilities Code, that participates in the Wildfire Fund. Fund or the account, as appropriate.

~~(e)~~

~~(f)~~ “Fund” means the Department of Water Resources Charge Fund established by Section 80550.

~~(f)~~

~~(g)~~ “Wildfire Fund” has the same meaning as defined in Section 3280 of the Public Utilities Code.

SEC. 12. Section 80524 of the Water Code is amended to read:

80524. (a) (1) The revenue requirement for each year or, with respect to the first year and last year, the pro rata portion of the year, shall be equal to the average annual amount of collections by the department with respect to charges imposed pursuant to the revenue requirements established by the department under Section 80110 for the period from January 1, 2013, through December 31, 2018. The Except as provided in paragraph (2), the revenue requirement shall remain in effect until January 1, 2036.

(2) The revenue requirement specified in paragraph (1) shall remain in effect until January 1, 2046, if the Public Utilities Commission imposes a nonbypassable charge pursuant to Section 3299.2 of the Public Utilities Code. This paragraph shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299 of the Public Utilities Code.

(b) If, pursuant to Section 3289 of the Public Utilities Code, the commission makes a just and reasonable determination with respect to the revenue requirement, then the commission shall enter into an agreement with the department with respect to charges under Section 3289 of the Public Utilities Code with respect to the revenue requirement, and that agreement shall have the force and effect of an irrevocable financing order adopted in accordance with Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, as determined by the commission. The agreement and financing order shall provide for the administration of the revenue requirement, including provisions to the effect that (1) the department shall notify the commission each year of the annual collections received by the department with respect to the revenue requirement and the amount of any excess or deficiency in collections above or below the revenue requirement and that the commission shall adjust charges in the subsequent year to reflect any such excess or deficiency, and (2) during any revenue requirement period if the department forecasts that the revenue requirement for that period will not be met and that collections will not be sufficient to fund any of the amounts in paragraphs (1) to (5), inclusive, of subdivision (a) of Section 80544, then the department shall notify the commission in writing and the commission shall act within 30 days to increase charges so that the amounts collected during that period are sufficient to meet those obligations. For avoidance of doubt, no such adjustment to charges by the commission shall affect in any respect the commission’s just and reasonable determination with respect to the revenue requirement.

(c) (1) If, pursuant to Section 3299.2 of the Public Utilities Code, the commission makes a just and reasonable determination with respect to the revenue requirement, then the commission shall enter into an agreement with the department with respect

to charges under Section 3299.2 of the Public Utilities Code with respect to the revenue requirement, and that agreement shall have the force and effect of an irrevocable financing order adopted in accordance with Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, as determined by the commission. The agreement and financing order shall provide for the administration of the revenue requirement, including provisions to the effect that: (A) the department shall notify the commission each year of the annual collections received by the department with respect to the revenue requirement and the amount of any excess or deficiency in collections above or below the revenue requirement and that the commission shall adjust charges in the subsequent year to reflect any such excess or deficiency; and (B) during any revenue requirement period, if the department forecasts that the revenue requirement for that period will not be met and that collections will not be sufficient to fund any of the amounts in paragraphs (1) to (4), inclusive, subdivision (a) of Section 80544.5, then the department shall notify the commission in writing and the commission shall act within 30 days to increase charges so that the amounts collected during that period are sufficient to meet those obligations. For avoidance of doubt, no such adjustment to charges by the commission shall affect in any respect the commission's just and reasonable determination with respect to the revenue requirement.

(2) This subdivision shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299 of the Public Utilities Code.

SEC. 13. Section 80540 of the Water Code is amended to read:

80540. (a) (1) The department may incur indebtedness and issue bonds as evidence thereof solely for the purposes of supporting the Wildfire Fund and other related expenses incurred by the department pursuant to this division, provided that bonds may authorized pursuant to this paragraph shall not be issued in an amount the debt service on which, to the extent payable from the fund, is estimated by the department to exceed the amounts estimated to be available in the fund for their payment.

(2) If the administrator provides the notification pursuant to subdivision (b) of Section 3299.1 of the Public Utilities Code, the department may incur indebtedness and issue bonds as evidence thereof solely for purposes of supporting the account and other related expenses incurred by the department pursuant to this division, provided that bonds authorized under this paragraph shall not be issued in an amount the debt service on which, to the extent payable from the account, is estimated by the department to exceed the amounts estimated to be available in the account for their payment. This paragraph shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299 of the Public Utilities Code.

(b) (1) The department may authorize the issuance of bonds, bonds pursuant to paragraph (1) of subdivision (a), excluding any notes issued in anticipation of the issuance of bonds and retired from the proceeds of those bonds, in an aggregate amount up to ten billion five hundred million dollars (\$10,500,000,000).

(2) In addition to paragraph (1), if the administrator provides the notification pursuant to subdivision (b) of Section 3299.1 of the Public Utilities Code, the department may authorize the issuance of bonds pursuant to paragraph (2) of subdivision (a), excluding any notes issued in anticipation of the issuance of bonds and retired from

the proceeds of those bonds, in an aggregate amount up to nine billion dollars (\$9,000,000,000). This paragraph shall become operative upon all large electrical corporations electing to participate in the account pursuant to Section 3299 of the Public Utilities Code.

(c) Refunding bonds for any of the following purposes shall not be included in the calculation of the aggregate amount described in subdivision (b):

(1) Refunding bonds to obtain a lower interest rate.
(2) Refunding bonds bearing a variable interest rate with bonds bearing interest at a fixed rate.

(3) Refunding bonds if any nationally recognized rating agency reduces or withdraws, or proposes to reduce or withdraw, the rating assigned to securities that are secured by bond insurance policies, credit or liquidity facilities issued by the provider of a bond insurance policy, or a credit or liquidity facility securing the bonds being refunded.

(d) Before the issuance of bonds in a public offering, the department shall establish a mechanism to ensure the bonds are sold at investment grade ratings and repaid on a timely basis from pledged revenues. This mechanism may include, but is not limited to, an agreement between the department and the commission as described in Section 80524.

(e) Notwithstanding any provision of this division to the contrary, the department shall not issue any bonds pursuant to this division until the earlier of either of the following:

(1) The date on which the department shall have legally defeased all of its outstanding power supply revenue bonds issued pursuant to Section 80134 and provided written notice to the commission.

(2) The date on which the department shall have paid in full, at maturity, all of its outstanding power supply revenue bonds issued pursuant to Section 80134 and provided written notice to the commission.

SEC. 14. Section 80544 of the Water Code is amended to read:

80544. (a) If, pursuant to subdivision (b) of Section 80524, the commission makes a just and reasonable determination with respect to that revenue requirement, the department shall, and in any obligation entered into pursuant to this division may covenant to, at least annually, and more frequently as required, allocate or cause to be allocated moneys collected pursuant to this division to provide any of the following:

(1) The amounts necessary to pay the principal of, and premium, if any, and interest on, ~~all bonds issued pursuant to paragraph (1) of subdivision (b) of Section 80540~~ as and when the bonds shall become due.

(2) The amounts necessary to make payments under any contracts, agreements, or obligations entered into by it pursuant hereto, in the amounts and at the times they shall become due.

(3) Reserves in such amount as may be determined by the department from time to time to be necessary or desirable.

(4) Consistent with Section 3288 of the Public Utilities Code, repayment of loans made from the Surplus Money Investment Fund to the Wildfire Fund.

(5) The administrative costs of the department incurred in administering this division.

(6) After meeting the purposes in paragraphs (1) to (5), inclusive, the transfer of any remaining revenue requirement amount to the Wildfire Fund.

(b) The commission shall not revise the revenue requirement established pursuant to ~~this division~~ subdivision (b) of Section 80524 at any time ~~prior to~~ before January 1, 2036. For avoidance of doubt, the revenue requirement established pursuant to ~~this division~~ that subdivision shall not be imposed and collected until the department has legally defeased or paid at maturity the power supply revenue bonds issued pursuant to Section 80134 and provided written notice thereof to the commission.

SEC. 15. Section 80544.5 is added to the Water Code, to read:

80544.5. (a) If, pursuant to subdivision (c) of Section 80524, the commission makes a just and reasonable determination with respect to that revenue requirement, the department shall, and in any obligation entered into pursuant to this division may covenant to, at least annually, and more frequently as required, allocate or cause to be allocated moneys collected pursuant to this division to provide any of the following:

(1) The amounts necessary to pay the principal of, and premium, if any, and interest on, bonds issued pursuant to paragraph (2) of subdivision (b) of Section 80540 as and when the bonds shall become due.

(2) The amounts necessary to make payments under any contracts, agreements, or obligations entered into by it pursuant hereto, in the amounts and at the times they shall become due.

(3) Reserves in such amount as may be determined by the department from time to time to be necessary or desirable.

(4) The administrative costs of the department incurred in administering this division.

(5) After meeting the purposes in paragraphs (1) to (4), inclusive, the transfer of any remaining revenue requirement amount to the account.

(b) The commission shall not revise the revenue requirement established pursuant to subdivision (c) of Section 80524 at any time before January 1, 2046. For avoidance of doubt, the revenue requirement established pursuant to subdivision (c) of Section 80524 shall not be imposed and collected until the department has legally defeased or paid at maturity the bonds issued pursuant to paragraph (1) of subdivision (a) of Section 80540 and provided written notice thereof to the commission.

(c) This section shall become inoperative if a large electrical corporation elects not to participate pursuant to Section 3299 of the Public Utilities Code and is repealed on January 1 of the year following the notification by the commission pursuant to subdivision (c) of Section 3299 of the Public Utilities Code.

SEC. 16. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

SEC. 17. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the California Constitution and shall go into immediate effect. The facts constituting the necessity are:

To ensure the provision of reliable and affordable electricity to ratepayers by ensuring the financial stability of electrical corporations, which are facing increases liability risks from catastrophic wildfires, it is necessary for this measure to take effect immediately to preserve the public health and safety.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Public utilities: wildfires.

Existing law establishes the Wildfire Fund, administered by the Wildfire Fund Administrator, and continuously appropriates moneys in the fund to pay eligible claims, as defined, from participating electrical corporations arising from wildfires ignited on or after July 12, 2019, that are determined to be caused by the electrical corporation. Existing law requires each large electrical corporation, by certain dates, to notify the Public Utilities Commission of its election to participate in the fund by making a commitment to provide an initial contribution and annual contributions to the fund, as provided. Existing law authorizes large electrical corporations providing the notification and commitment (participating electrical corporations) to seek payment from the fund to satisfy settled and finally adjudicated eligible claims. Existing law authorizes a participating electrical corporation to file an application with the commission to recover costs and expenses arising from a wildfire ignited on or after July 12, 2019, that is caused by the electrical corporation that the commission determines to be just and reasonable. Existing law requires a participating electrical corporation, within 6 months of the commission's decision in the application for the recovery of costs and expenses arising from the wildfire, to reimburse the fund, as provided, for any payment of costs and expenses determined not to be just and reasonable. Existing law requires the commission to initiate a rulemaking proceeding to consider using its authority to require participating electrical corporations to collect a nonbypassable charge from their ratepayers to support the fund, including the payment of any bonds issued for the support of the fund, as provided. The bill would authorize the Department of Water Resources to issue bonds, in an aggregate amount up to \$10,000,000,000, as provided, to support the fund.

This bill would require the administrator, on or before April 1, 2026, to prepare and submit to the Legislature and to the Governor, a report that evaluates and makes recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from catastrophic wildfires, and potentially other climate change-induced natural disasters, across stakeholders, to complement or replace the fund, as specified.

This bill would create the Continuation Account within the fund, which is separate and distinct from moneys in the fund, to be administered by the administrator, and would continuously appropriate moneys in the account for purposes of payment of eligible claims arising from wildfires ignited on or after the effective date of the bill, as provided, thereby making an appropriation. The bill would require each large electrical corporation, within 15 days of the effective date of the bill, to provide to the commission a written notification of its election to participate, or not to participate, in the account. The bill would specify that the election by participating electrical corporations to participate in the account constitutes an agreement of the large electrical

corporations to certain matters, including a revision of how the large electrical corporations are to reimburse the fund for any costs and expenses arising from a wildfire that are found not to be just and reasonable. The bill would require the commission, if all participating electrical corporations have provided their election to participate in the account, to provide the administrator and other entities notification of their elections. The bill would authorize the administrator, on or after the date the commission provides the notification, but not later than December 31, 2028, to determine if additional annual contributions are needed, and to provide notification of its determination to the commission and the department. The bill would require the commission, within 15 days of receiving the notification from the administrator, to initiate a rulemaking proceeding to consider using its authority to require the large electrical corporations to collect a nonbypassable charge from ratepayers to support the account, including the payment of any bond issued for the support of the account, as provided. The bill would authorize the department to issue bonds, in an aggregate amount up to \$9,000,000,000, as provided, to support the account. The bill would, if the commission imposes the nonbypassable charge to support the account, require the large electrical corporations, from calendar years 2029 to 2045, inclusive, to provide to the administrator their annual contributions, as specified, for deposit into the account. The bill would, if the administrator determines that an additional contribution of \$3,900,000,000 is needed to support the account, authorize the administrator to require the large electrical corporations to provided their proportionate share of that amount in equal installment payments over a 5-year period, as provided. The bill would authorize a large electrical corporation to seek payment from the account to satisfy settled or finally adjudicated eligible claims arising from wildfires ignited on or after the effective date of the bill, as provided. The bill would require the large electrical corporations, within 6 months of the commission's decision in the application for the recovery of costs and expenses arising from the wildfire, to reimburse the fund, as provided, for any payment of costs and expenses determined not to be just and reasonable. The bill would make the above provisions inoperative if one of the large electrical corporations elects not to participate in the account.

Existing law authorizes an electrical corporation to file an application requesting the commission to issue a financing order to authorize the recovery of certain costs and expenses, including those related to catastrophic wildfires, that are determined to be just and reasonable through the issuance of recovery bonds by the electrical corporations that are secured by a rate component, as provided.

This bill would, for a catastrophic wildfire that was ignited between January 1, 2025, and the effective date of the bill, authorize an electrical corporation, before filing an application for a determination of just and reasonableness of the settled or finally adjudicated claims associated with the catastrophic wildfire, to a file an application for a determination that those claims cannot be paid by the fund and for the issuance of a financing order in the amount of those claims. The bill would require the commission to issue a financing order if it makes certain determinations. The bill would require a large electrical corporation, if it issues recovery bonds pursuant to the financing order, to file an application for a just and reasonableness determination for the costs and expenses included in the recovery bonds, as provided. The bill would authorize the commission to order a large electrical corporation to provide a credit to its ratepayers

for any disallowed costs and expenses plus any cost and expense resulting from the inclusion of the disallowed costs and expenses in the recovery bonds.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because certain of the above-described provisions would be part of the act and a violation of a commission action implementing the above-described provisions would be a crime, this bill would impose a state-mandated local program.

The California Constitution permits the owner of property that has been taken or damaged for a public use to bring an inverse condemnation action for compensation. Statutory law establishes procedures for the determination of the plaintiff's right to compensation and the amount of compensation in an inverse condemnation action.

This bill would impose limitations on the amount a plaintiff or the plaintiff's insurer can recover in a civil action, including an inverse condemnation action, for property damage resulting from a wildfire from an electrical corporation, a local publicly owned electric utility, an electrical cooperative, or from any other governmental entity. The bill would require the plaintiff's maximum recovery in such an action to be reduced by any amount the plaintiff has received, or will receive, from an insurer. The bill would limit the recovery of an insurer that is subrogated to the rights of a policyholder in such an action to not more than 40% of what the insurer has paid, or will pay, to the policyholder.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: yes. Fiscal committee: yes. State-mandated local program: yes.