



Wildfire Impacts on the Electricity Sector

As the increasing risk of catastrophic wildfires continues to threaten our state, California must take a comprehensive approach to improve our state's wildfire prevention, disaster preparedness, and emergency response. NCPA and its members are adapting their practices to the changing conditions of our climate, and are committed to partnering with federal, state, and local agencies to develop solutions addressing this important issue.

Wildfires Undermine the State's Climate Programs

Wildfires are becoming increasingly devastating, and continue to affect our air quality, public health and safety, and economy. Greenhouse gas (GHG) emissions from wildfires have undermined the significant efforts and resources that the electric utility industry, and the economy as a whole, have put into reducing greenhouse gas emissions.

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Beyond the emissions impacts of burning land and structures, wildfires also directly affect the operations of renewable generating facilities. Since 2015, NCPA's geothermal facilities in Lake County and hydroelectric facilities in Calaveras County have had multiple close encounters with

adjacent wildfires. Fire damage to the transmission and/or distribution infrastructure used by the plants to deliver power resulted in forced outages that lessened the available renewable generating capacity from these facilities. Furthermore, wildfires produce hundreds of thousands of fire-ravaged acres of runoff each year, with the sediment from the accumulating in the reservoirs that make up California's extensive system of hydroelectric resources. This can reduce carbon-free hydroelectric generating capacity that provides critical operational flexibility to a grid that is increasingly reliant on intermittent renewable resources such as solar and wind.

Public Power Mitigation Efforts are Underway

NCPA recognizes that utilities must continue to bolster their fire mitigation efforts. As local government entities, NCPA members are uniquely positioned to closely coordinate with other city departments on emergency planning and response. Infrastructure maintenance, safety, and operational practices to reduce the risk and impact of fires have always been integrated into our utility processes. In the past year, our utilities engaged with the Wildfire Safety Advisory Board in discussions about our adopted Wildfire Mitigation Plans, incorporating

feedback from the board and independent third-party evaluators to improve our planning efforts.

Further Action is Needed

Through legislation to improve vegetation management, direct utilities to develop wildfire mitigation plans, and enhance local government planning and preparedness, the State has taken important, but preliminary, steps to address the risks associated with wildfires.

Effective Forest Management

According to CAL FIRE's Forest Carbon Plan, carbon emissions from wildfires are expected to increase without changes to forest management practices. State and federal collaboration on federal forestland has improved in recent years; however, further advancements are needed. Forest management, fuel treatment, and biomass energy policies could, if designed appropriately, improve forest health, help reduce short-lived climate pollutants and emissions associated with wildfires, support economic development, and protect critical infrastructure.

NCPA supports policies and funding mechanisms that strengthen forest management and fire prevention activities, streamline vegetation management practices, and improve emergency preparedness and response.

Utility Liability and Insurance

Historically, when utility equipment is involved in a wildfire, California's courts have adopted a strict liability interpretation of the constitutional principle of inverse condemnation. This interpretation results in electric utilities being held wholly liable for damages linked to wildfires, even if the utility was not at fault or negligent in its practices. Thus, a utility's potential financial exposure can reach far

beyond the ability of its customers to shoulder the financial burden. This can be particularly problematic for smaller and rural utilities that may suffer from catastrophic wildfires, as those utilities do not have a large customer base across which to spread the cost of damages. Because POU's do not have shareholders, any uninsured costs borne by the utility must be passed through to customers. Notably, the same strict liability interpretation does not apply in 49 of the other United States, nor has it applied to other critical infrastructure sectors in California (such as flood control).

Unfortunately, these liability risks have led to increasing difficulty in accessing affordable and effective insurance coverage for utilities, particularly those with infrastructure located in

high fire risk areas. Over the past few years, California's electric utilities have experienced a narrowing of available insurance offerings and significant cost increases for the same amount of coverage.

Policies to Address the Challenges

Reducing the overall risk of fires is imperative in protecting Californians and our environment. NCPA supports policies and funding mechanisms that strengthen forest management and fire prevention activities, streamline vegetation management practices, and improve emergency preparedness and response. In addition, NCPA urges policymakers to evaluate potential options for addressing how the cost of damages associated with these catastrophic events can be apportioned based on responsibility.