



September 4, 2019

California State Legislature
State Capitol
Sacramento, CA 95814

SUBJECT: WILDFIRE VICTIM RECOVERY BONDS - SUPPORT

Dear Legislators:

The California Chamber of Commerce is the largest broad-based business advocate in the state, representing the interests of 14,000 California businesses, both large and small, all of which are both taxpayers and ratepayers. CalChamber supports, in concept, the use of tax-exempt bonds to be repaid by the shareholders of utilities, to fund wildfire costs, sometimes referred to as Wildfire Victim Recovery Bonds (WVRB). CalChamber believes that the ability to use tax-exempt bonds is an important step toward providing compensation for wildfire victims while keeping customer rate increases in check.

Ratepayer Neutral

WVRBs require that shareholders of a utility pay, not customers. Victims and their insurers are paid solely from the profits periodically approved through a vigorous process at the California Public Utilities Commission (CPUC). The CPUC is responsible for regulating appropriate rates of return for shareholders of all utilities. The WVRB concept requires that the CPUC reduce the net income available to shareholders in an amount equal to the charge on customer bills, which means that the utilities' rates of return are reduced, and no net increase in utility bills should result.

Gives CPUC Added Oversight to Protect Ratepayers

The WVRB concept gives the CPUC authority to determine an appropriate mechanism to ensure that net income available to shareholders is reduced in an amount that matches the charge that will be imposed to secure repayment of the bonds. Issuance of WVRBs is not automatic upon the passage of a bill. Instead, a utility must petition to the CPUC for financing, which will be limited in amount and use, and which must be approved by the CPUC in a formal, adversarial proceeding in which interested parties may participate. Fears regarding immediate rate increases are further dampened by AB 1054's (Holden, 2019) dictate that PG&E must show that any bankruptcy exit plan is "neutral, on average, to the ratepayers of the electrical corporation." Pub. Util. Code § 3291(B)(1)(D).

Stress Test Removed

Currently, utilities like PG&E may utilize the "stress test," passed last year under SB 901 (Dodd, 2018), to limit the amount paid if the corporation's financial health is in jeopardy. The stress test alters the normal cost recovery rules, allowing the CPUC to "consider the electrical corporation's financial status and determine the maximum amount the corporation can pay." Pub. Util Code § 451.2(b). This could result in more costs being passed along to ratepayers. The WVRB concept proposes that if tax-exempt, shareholder-paid bonds are used, the utility can no longer use the stress test.

Tax-Exempt Bonds Lower Costs

Reductions in the cost of raising funds and carrying debt, such as securitization approved last year in SB 901 and the WVRB concept, reduce the bottom-line cost to continue to provide reliable utility services. Under the WVRB concept, those cost savings would be passed along to ratepayers. Reductions in cost are needed in light of the continued assessment of procurement and other mandates that have resulted in some of the highest commercial utility rates in the nation.

WVRBs Fill the Gap

SB 901 addressed cost recovery of fires ignited after January 1, 2019, and AB 1054 (Holden, 2019) provided a wildfire fund for fires ignited after July 12, 2019. We believe tax-exempt bonds to be paid back from shareholder revenues, when combined with the provisions set forth in SB 901 and AB 1054, fills the gap by providing a prudent way of managing the massive costs associated with wildfires that occurred in 2017 and 2018.

For these reasons and others, CalChamber supports using WVRB's as a mechanism for payment of victim claims, while achieving a balance to avoid further rate increases. We look forward to seeing language in print.

Sincerely,



Leah Silverthorn
Policy Advocate

cc: The Honorable Ben Hueso
The Honorable Chris Holden
Ana Matosantos, Office of the Governor
Rachel Wagoner, Office of the Governor
Kip Lipper, Office of Senate Pro Tem Toni Atkins
Marie Liu, Office of Assembly Speaker Anthony Rendon

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