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## [California Legislature Approves Multibillion-Dollar Wildfire Fund.]

**Addressing Wall Street fears, bill aims to help PG&E, other utilities, cover future liability costs**

SACRAMENTO, Calif.—California lawmakers on Thursday approved a multibillion-dollar fund meant to stabilize the state's largest utilities amid fears of sizable future liability costs from deadly wildfires tied to their equipment.

The creation of the wildfire fund, one of the biggest challenges in the first year of Democratic Gov. Gavin Newsom's administration, is part of a broader regulatory overhaul meant to mitigate the crisis created when PG&E Corp. PCG -5.13% sought bankruptcy protection in January, citing more that $30 billion in potential liability costs stemming from its role in sparking wildfires.

The company's collapse sowed concern on Wall Street that the state's other large utilities, Edison International EIX 0.99% 's Southern California Edison and Sempra Energy SRE -0.36% 's San Diego Gas & Electric, may face similar fates. Credit-ratings firms threatened to downgrade them unless lawmakers moved to limit their liability exposure.

After concern among investors that lawmakers wouldn't pass the bill before beginning a month-long summer recess this Friday, a final version was hammered out late last week. It passed the state Senate Monday with a vote of 31-7 and the Assembly Thursday with a preliminary tally of 63 in favor and 9 opposed, winning bipartisan support in both houses. Mr. Newsom is expected to act quickly to sign the bill into law.

The legislation creates two routes for a wildfire fund—one valued at $10.5 billion and another at $21 billion or more. The smaller proposal would be structured as a revolving loan funded by extending a surcharge on electricity bills and securitizing the revenue through state-issued bonds. The larger would include an insurance policy requiring a $10.5 billion contribution from the three utilities.

Southern California Edison and San Diego Gas & Electric will have 15 days upon enactment of the bill into law to choose between the two options. They are likely to coalesce on one plan, said people close to the companies.

PG&E can't participate in the decision-making process while it restructures in bankruptcy court, but will be bound by what the other two companies choose. The other two utilities are widely expected to select the larger option, which would require PG&E to contribute the most money to the fund given the size of its service area.

An unusual state constitutional provision makes utilities responsible for property damages resulting from fires sparked by their equipment. The legislation would allow utilities to tap the wildfire fund to cover future claims arising from such fires if they were found to have acted responsibly.

Mr. Newsom's proposal was aimed at satisfying investor demands that the state partially reform utilities' exposure to wildfire risk, which has intensified in recent years with severe drought and climate change—while avoiding a bailout of PG&E. The state's largest power company has lost political goodwill in the wake of 19 wildfires state investigators have found its equipment caused in 2017 and 2018, including last year's Camp Fire, the deadliest in state history, which killed 85 people.

The new legislation does nothing to address PG&E's liability for past wildfires. The company last week pressed lawmakers to allow it to securitize future earnings to pay past wildfire claims, according to people familiar with the matter, but that provision wasn't included in the bill. Analysts expect lawmakers to consider that proposal later this session, given the amount of money PG&E will be required to contribute to the wildfire fund going forward.

Many longtime critics of PG&E's safety record, including consumer group The Utility Reform Network, supported the legislation, noting that it imposes new safety restrictions while limiting rate increases and corporate profits.

The wildfire fund will essentially spread future liabilities among the three utilities, making it easier for them to cover costs without raising rates for customers. To access the fund, a utility must obtain a safety certification from a new division of the California Public Utilities Commission that will be created to oversee wildfire safety efforts.

"Make no mistake—this is not a utility bailout, it is a ratepayer bailout," said Democratic State Sen. Bill Dodd, co-author of the bill.

But some critics argued the measure still fell short.

State Senator Scott Wiener, a Democrat from San Francisco, who voted against the bill, said the legislation would make it harder for cities to create their own utilities. San Francisco has been considering purchasing some of PG&E's assets and forming a municipal utility.

"This is a dramatic sea change in terms of our ability to try a new model," Mr. Wiener said at a Monday hearing. He was the only Democrat in the state Senate to buck his party and Mr. Newsom, the former mayor of San Francisco.

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