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S&P: California Public Power Utilities Dampen Wildfire Flames While Questions Of Long-Term Resiliency Smolder

Key Takeaways

- Following the Los Angeles area wildfires in early 2025, we reviewed our portfolio of 47 not-for-profit (NFP) utilities in California to reflect our evolving views of risks and mitigating factors that we incorporate into our analysis. This review enhanced our existing surveillance practices.
- As a result, we lowered our ratings on two NFP electric utilities and affirmed our ratings on five based on financial and operational vulnerabilities from the increasing prevalence and severity of wildfires in the state. Our rating outlooks on three entities (and/or their debt) remain negative due to these risks.
- While risks from wildfires are not unique to California, we think the state's strict liability standard known as "inverse condemnation" exposes electric utilities to substantial liabilities should their equipment be implicated in igniting a fire.
- California NFP utilities are adopting various mitigation practices and tools, increasing their liquidity, and using insurance to address rising risks related to wildfires, helping stabilize credit quality, although in many cases downside tolerances have narrowed.

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