

# Height Commentary

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## Utilities

### California Legislator Announces Potential PG&E Bill

#### THE TAKEAWAY

California Assembly member and current Utilities and Energy Committee Chair Chris Holden's (D-41) office [announced](#) that he will introduce a bill to expand securitization protections created by SB901 to include 2018 fires. Holden is one of the legislators who pushed through SB901, and we view him as one of the most informed and constructive voices on utility liability in the legislature. His policy staffer, Kellie Smith, was also a crucial player in earlier liability legislation, and she will play a key role in this attempt as well. We do not expect that this bill will be the only piece of wildfire related legislation introduced, and we believe the final process may end up moving similarly to SB901 whereby multiple legislative ideas - both on liability and fire prevention - were rolled together to increase support and make passage more palatable. The timing for this process remains unclear, and it depends largely on political sentiment in the state. Bloomberg reports that the bill could be introduced as early as December 3, during the one legislative day of 2018, which would mean the bill could be available for consideration in early January. However, we think that moving liability legislation so quickly after the Camp Fire will prove extremely difficult. In a positive note for PG&E (PCG) and other utilities, the majority of members who supported SB901 remain in office after the recent elections, ensuring a base of support for legislation that includes securitization.

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**Among the 49 Members who voted for SB901, 46 remain in office for the upcoming session. Among the 29 Senators who voted for it, 24 remain.** With 46 out of 80 Members and 24 out of 40 Senators, the majority of the incoming legislators are on the record as supporting comprehensive legislation that includes securitization. However, these margins are closer than during the debate on SB901, making it even more imperative to include legislation with broad appeal and strong political support.

**In SB901, wildfire prevention language was used to ensure support for securitization.** Legislators who would not vote for securitization on its own were driven to support the bill because they supported the other provisions that were included alongside securitization. We expect that a similar process would need to be used in this case with any expansion of securitization tied to wildfire mitigation or prevention language in order to shore up support among a large enough group of legislators. Without these components, some lawmakers who supported SB901 could conceivably abandon a new liability-only measure as insufficient.

**Holden's bill does not need to include securitization language nearly as substantial as SB901, but we expect marshaling support will still prove complex.** Holden only needs to expand securitization coverage to include 2018 fires, a far less onerous task than the push to create a securitization structure and review standard in SB901. This makes Holden's path forward easier than SB901, but it is far from a slam dunk. We expect that Holden, even if he moves quickly and introduces his bill on December 3, will need to wait for additional legislative language to tie to the bill in order to create a more palatable package. We expect this will delay consideration until later in 2019 as a larger fire bill likely will require more time.

**One unknown is the position of the incoming Governor, Gavin Newsom.** If Newsom takes a constructive approach to liability legislation, as Governor Brown did, it could add momentum to a potential Holden bill. However, Governor-elect Newsom has not committed himself to addressing liability, making this an unknown factor.

**Absent Newsom's support, it appears likely that legislators would look to wait until after the Commission on Catastrophic Wildfire Cost and Recovery issues its report on July 1, 2019 before moving any comprehensive legislation dealing with wildfires.** Aggressive lobbying on the part of utilities could accelerate this effort, but we understand that PG&E (PCG) does not have a stellar reputation in the legislature and is therefore limited in the effectiveness of its lobbying.

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## COMPANIES MENTIONED IN THIS REPORT

PG&E Corp (PCG)

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