

**HB 3984 A    STAFF MEASURE SUMMARY****Carrier:** Rep. Kropf, Rep. Marsh**House Committee On Rules****Action Date:** 06/27/25**Action:** Do pass with amendments. (Printed A-Eng.)**Vote:** 5-1-1-0**Yeas:** 5 - Bowman, Drazan, Kropf, Pham H, Valderrama**Nays:** 1 - Boshart Davis**Exc:** 1 - Elmer**Fiscal:** Fiscal impact issued**Revenue:** No revenue impact, statement issued (Indeterminate Impact)**Prepared By:** Kris Kolta**Meeting Dates:** 6/23, 6/27**WHAT THE MEASURE DOES:**

The measure renders an electric company liable for federal income taxes imposed on amounts received by a wildfire plaintiff in relation to a civil action for wildfires ignited between January 1, 2020, and January 1, 2025, and it allows a wildfire plaintiff to file a motion for supplemental judgment to recover the same. The measure also creates an associated exemption to the Oregon tax code. The measure sets out legislative findings and intent to establish wildfire safety standards, and it authorizes the Public Utility Commission (PUC) to implement and enforce such standards. The measure also requires an electric company to apply with the PUC for a wildfire safety certification and sets out associated standards and criteria. It requires the PUC to have a third-party expert conduct a study and examine issues related to catastrophic wildfire risk and recovery, and develop a range of scenarios for a balanced solution that must be reported to the Legislative Assembly in 2026. The measure declares an emergency and is effective upon passage.

Detailed Summary**Wildfire Litigation**

- Defines "electric company" and "retail electricity consumer."
- Renders an at-fault electric company liable for any federal income taxes imposed on any amounts received by a wildfire plaintiff in relation to a civil action for wildfires ignited between January 1, 2020, and January 1, 2025 (provided the wildfire plaintiff owes or pays the taxes).
- Allows a wildfire plaintiff to file a motion for supplemental judgment to recover associated federal income taxes owed or paid.
- Creates an associated exemption to the Oregon tax code, subtracting from a wildfire victim's taxable income any amounts so recovered from an electric company.

**Wildfire Safety Certification**

- Declares and recognizes wildfire danger, electric companies' role in mitigating risk, existing wildfire protection plans, and state agencies' role in setting utilities' standard of care.
- Recognizes the PUC's authority to implement and enforce wildfire safety standards.
- Requires electric companies to apply annually for PUC wildfire safety certificates with documentation satisfying the following criteria:
  - an existing wildfire protection plan under ORS 757.963;
  - proof of development, adoption, and implementation of a wildfire protection plan over the preceding year, including evidence of mitigation expenditures and physical evidence of work undertaken;
  - identification of, justification for, and a timeline to effectuate any outstanding elements of an electric company's wildfire protection plan;
  - a demonstrated commitment to wildfire safety with examples provided; and

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- responsiveness to PUC safety rules, additional requirements, and identified deficiencies.
- Authorizes the PUC to adopt additional requirements to verify an electric company's implementation of wildfire safety measures and electrical grid resiliency, and allows an electric company to provide third-party assessments to demonstrate such implementation.
- Requires the PUC to approve or deny an electric company's application for wildfire safety certification within 90 days, with the option to demand additional documentation or refiling.
- Establishes that the issuance of a wildfire safety certificate demonstrates that an electric company has established and implemented wildfire policies and practices consistent with the PUC's wildfire safety standards on the date the certification is issued.
- The safety certificate does not relieve an electric company from its obligation to take reasonable care to mitigate wildfire risk resulting from utility equipment or operations to prevent wildfires.
- The denial of a safety certificate does not establish liability for wildfire claims or damages, nor does the issuance of a safety certificate establish immunity.
- Directs the PUC to consult with the State Forestry Department, State Fire Marshall, and academic institutions to adopt rules to implement and audit safety certifications.
- Requires electric companies to file their first application for a safety certificate by the end of 2027.

### Study On Catastrophic Wildfire Risk And Recovery

- Requires the PUC to have a third-party expert conduct a study and examine issues related to catastrophic wildfire risk and recovery, and develop a range of scenarios for a balanced solution. Requires the study to:
  - - Articulate and examine the negative consequences of catastrophic wildfires, including:
      - the risks and impacts of electricity service disruption to communities located in areas with high risk of wildfires;
      - the liability risks from wildfires for an electric company and the effects of those risks on an electric company's ability to access capital or insurance, and the secondary effects on customers, the state's economic growth, electricity reliability, electricity generated from zero-emissions or renewable resources, and the ability of the state to achieve the clean energy targets set forth in ORS 469A.410 and other state policy goals, and
      - the pace of wildfire recovery funding;
    - Outline a range of policy options that balance the needs of communities impacted by a wildfire and utility customers. Specifies that these options must address:
      - a process by which communities and individuals who are impacted by a wildfire that is caused by utility infrastructure may receive fair and expedient economic compensation for damages resulting from the wildfire;
      - an overall approach that supports stable access to low-cost capital in order to advance the state's economic growth, electricity reliability, electricity generated from zero-emissions or renewable resources, and the ability of the state to achieve the clean energy targets set forth in ORS 469A.410 and other state policy goals; and
      - the process and timing by which the causes of a wildfire are determined.
    - Enumerate the steps required to implement the proposed policy option solutions and provide a general cost estimate that is able to support a fiscal impact analysis.
  - Requires the PUC to provide an interim report on the study's findings and recommendations to the energy and environment committees of the Legislative Assembly during the 2026 regular session.
  - Requires the PUC to consult with the State Forestry Department and State Fire Marshal and provide recommendations for a stakeholder process to follow the final study report with the goal to develop recommendations for the 2027 regular session.
  - Requires the PUC to assess a fee against the electric companies to defray the costs of carrying out the study and stakeholder process and prohibits a company from recovering the fee from ratepayers.

### ISSUES DISCUSSED:

- Accountability and justice for wildfire victims

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- Wildfire victims' financial inability to rebuild due to attorney fees and taxes
- The amendments' effects on taxation of wildfire judgments and settlements
- The need for both immediate action and further study given increasing wildfire risk
- Higher standard of care required of utility companies
- Past and future wildfire response efforts of the Legislative Assembly

### **EFFECT OF AMENDMENT:**

The amendment replaced the measure.

### **BACKGROUND:**

Pursuant to the Federal Disaster Tax Relief Act of 2023 (H.R. 5863), wildfire victims may exclude qualified wildfire relief payments from their taxable income. Qualified wildfire relief payments include any amount received as compensation for losses, expenses, or damages, including amounts received for property damage, personal injury, death, or emotional distress. Under this Act, a qualified wildfire disaster is defined as any federally declared wildfire disaster. This tax relief applies only to payments received during the taxable years beginning after December 31, 2019, and before January 1, 2026.

Pursuant to ORS Chapter 756, the Public Utility Commission (PUC) has broad regulatory power over investor-owned electric companies and public utilities in general. *See* ORS 756.040. Public utilities in Oregon must apply with the PUC before raising consumer prices or rates.

In 2021, the Legislative Assembly enacted Senate Bill 762, a wide-ranging wildfire law that invested in dozens of programs and initiatives with a focus on creating fire-adapted communities, developing safe and effective wildfire responses, and increasing the resiliency of Oregon's landscapes and electrical grid. The measure required public utilities to submit annual wildfire protection plans to the PUC for review pursuant to ORS 757.963. Public utilities' wildfire protection plans must, among other requirements, identify high-risk areas along with associated mitigation actions and investments, protocols for deenergizing power lines, vegetation management, and public awareness efforts. In 2023, the Legislative Assembly enacted Senate Bill 80, which adapted and refined various provisions of SB 762.