

SB 1553 -3 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

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Meeting Dates: 2/11, 2/16

WHAT THE MEASURE DOES:

This measure prohibits an electric company from recovering from ratepayers the costs and expenses arising from wildfire liability. The measure requires an electric company found liable for a wildfire to establish and maintain an escrow fund for wildfire victims and authorizes the Public Utilities Commission (PUC) to oversee and set the amount of the fund. The measure renders an at-fault electric company liable for federal income taxes imposed a wildfire plaintiff's recovery. The measure directs 60% of punitive damages awarded towards a newly created Wildfire Recovery Fund with the first \$50 million allocated to the Oregon Department of Justice's (DOJ) Criminal Injuries Compensation Account. The measure creates a direct right of appeal to the Oregon Supreme Court. The measure applies to wildfires ignited between January 1, 2020 and January 1, 2025, declares an emergency, and is effective on passage.

Detailed Summary

- Defines "electric company" and "retail electricity consumer."
- Prohibits an electric company at fault for a wildfire from recovering from its customers:
 - - Costs associated with wildfire fines or penalties, both civil and criminal,
 - Costs associated with a wildfire judgment or settlement, and
 - Wildfire litigation costs
- Provides the PUC, in setting the amount of and overseeing an electric company's escrow fund, with discretion to balance the electric company's service obligations with its ability to satisfy wildfire judgments

ISSUES DISCUSSED:

- Potential to divert utilities' capital from infrastructure modernization
- Existing bonding requirements
- Constitutional concerns such as separation of powers and due process
- Utility rate increases
- Justice for wildfire victims

EFFECT OF AMENDMENT:

-3 The amendment allows an at-fault electric company to recover up to half of its wildfire settlement costs from ratepayers, clarifies the obligatory nature of the PUC's role in setting a minimum amount for and managing the escrow fund, removes the right of direct appeal to the Supreme Court, and sets an operative date of January 1, 2027 for the creation and funding of the Wildfire Recovery Fund.

REVENUE: *No revenue impact*

FISCAL: *Fiscal impact issued*

BACKGROUND:

PUC Rate-setting

Pursuant to ORS Chapter 756, the PUC has broad regulatory power over public utilities (IOUs). *See* ORS 756.040. IOUs in Oregon must apply with the PUC before raising consumer prices or rates. When deciding whether to approve a requested rate adjustment, the PUC must ensure the change is fair and reasonable for utility customers

while allowing the utility to recover reasonable costs and earn a reasonable return on its investments. The PUC uses a quasi-judicial investigation to examine a utility's operating expenses, investments, and capital costs and thereby determine the extent to which the utilities' costs can be passed along to consumers through increased rates.

Federal Wildfire Victim Tax Relief

Pursuant to the Federal Disaster Tax Relief Act of 2023 (HR 5863), wildfire victims were allowed to exclude qualified wildfires relief payments from their taxable income. Qualified wildfire relief payments included 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 applied only to payments received during the taxable years beginning after Dec. 31, 2019, and before Jan 1, 2026.

Oregon Wildfire Legislation

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. SB 762 required IOUs to submit annual wildfire protection plans to the PUC for review pursuant to ORS 757.963. IOUs' 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. In 2025, the Legislative Assembly considered several related measures: Senate Bill 926, House Bill 3666, and House Bill 3984.