

SB 1553 A STAFF MEASURE SUMMARY

Senate Committee On Judiciary

Action Date: 02/16/26

Action: Do pass with amendments and requesting referral to Rules. (Printed A-Engrossed.)

Vote: 6-0-0-0

Yeas: 6 - Broadman, Gelser Blouin, Manning Jr, McLane, Prozanski, Thatcher

Fiscal: Fiscal impact issued

Revenue: No revenue impact

Prepared By: Kris Kolta

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 litigation, except for up to half of the associated settlement costs if a court or jury finds the company liable for the wildfire. The measure requires an electric company found liable for a wildfire to establish and maintain an escrow fund for wildfire victims. The measure requires the Oregon Public Utilities Commission (PUC) to oversee and set the amount of the escrow fund, with associated discretion to balance an electric company's service obligations with its ability to satisfy wildfire judgments. The measure renders an at-fault electric company liable for federal income taxes imposed on a wildfire plaintiff's recovery. The measure directs 60 percent of punitive damages awarded toward a newly created Wildfire Recovery Fund, with the first \$50 million allocated to the Oregon Department of Justice's Criminal Injuries Compensation Account; it sets an operative date of January 1, 2027, for creating and funding the Wildfire Recovery Fund. The measure applies to wildfires ignited between January 1, 2020, and January 1, 2025. It declares an emergency, effective on its passage.

ISSUES DISCUSSED:

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

EFFECT OF AMENDMENT:

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 for utility wildfire lawsuits to the Oregon Supreme Court, and sets an operative date of January 1, 2027, for creating and funding the Wildfire Recovery Fund.

BACKGROUND:

PUC Rate Setting

Pursuant to Oregon Revised Statutes (ORS) Chapter 756, the PUC has broad regulatory authority over public utilities, also called investor-owned utilities (IOUs). 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 utility's costs can be passed along to consumers through increased rates.

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Federal Wildfire Victim Tax Relief

Pursuant to the Federal Disaster Tax Relief Act of 2023 (H. R. 5863), wildfire victims were allowed to exclude qualified wildfire 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 between December 31, 2019, and January 1, 2026.

Oregon Wildfire Legislation

In 2021, the legislature enacted Senate Bill 762, a wide-ranging wildfire law that invested in dozens of programs and initiatives focused 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 de-energizing power lines, vegetation management, and public awareness efforts. In 2023, the legislature enacted Senate Bill 80, which adapted and refined various provisions of SB 762. In 2025, the legislature considered several related measures: Senate Bill 926 (not enacted), House Bill 3666 (not enacted), and House Bill 3984 (not enacted).