

2023-2024 Wildfire-Related Cost Increases of California's Three Major Investor-Owned Electric Utilities

Date: June 14, 2024

Background

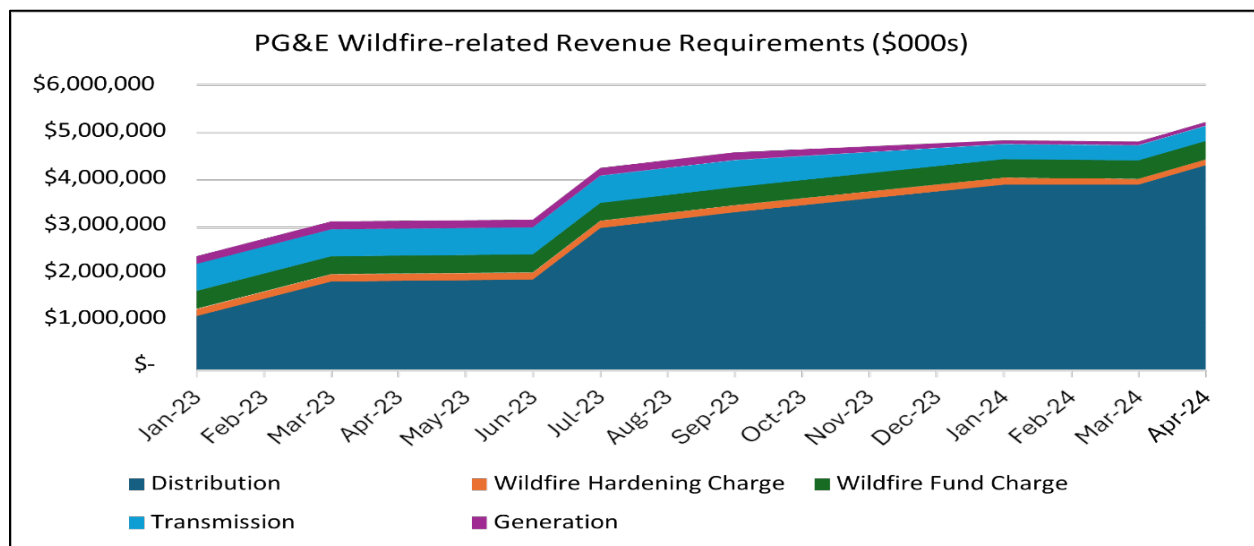
Rates and bills have been increasing unsustainably, especially since 2020. One of the biggest drivers of increased utility rates is the costs associated with wildfires. The figures below show how much the three major California investor-owned utilities – Pacific Gas & Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) – have been authorized to recover from their customers. This includes money for wildfire mitigation costs (hardening), restoring service and rebuilding after disasters, and claims paid to people and businesses harmed in utility-caused wildfires.

A **revenue requirement** is the total amount of money that a regulated utility is authorized to collect from its customers through rates to cover its costs and includes an opportunity for the utility to earn a fair return on its investments. Each utility files a proposal with the California Public Utilities Commission (CPUC) for approval of its revenue requirement, which typically consists of operating expenses, depreciation, capital investments, and a rate of return on those investments. Between January 2023 and April 2024, we have seen a marked increase in the total revenue requirements of the three major investor-owned utilities, with wildfire-related costs making up a larger portion of the total revenue requirement.

Wildfire-related costs include vegetation management, such as tree trimming, wildfire hardening, such as undergrounding power lines, and rebuilding utility infrastructure damaged by wildfires. Depending on the utility, these costs make up 10% to 24% of total revenue requirements.

PG&E Wildfire-Related Costs

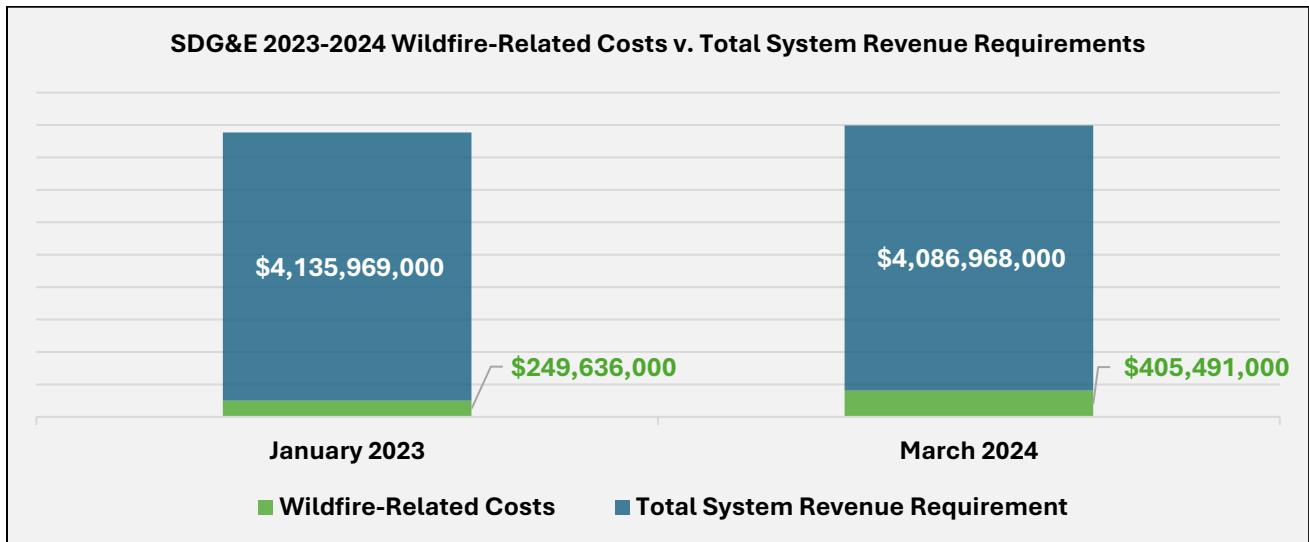
Between January 2023 and April 2024, PG&E has seen a 117% increase in wildfire-related costs as shown in the figure below. Wildfire-related costs make up approximately 24% of PG&E's current total system revenue requirement.



Source: Data from Utility Advice Letters and Responses to Information Requests.

SDG&E Wildfire-Related Costs

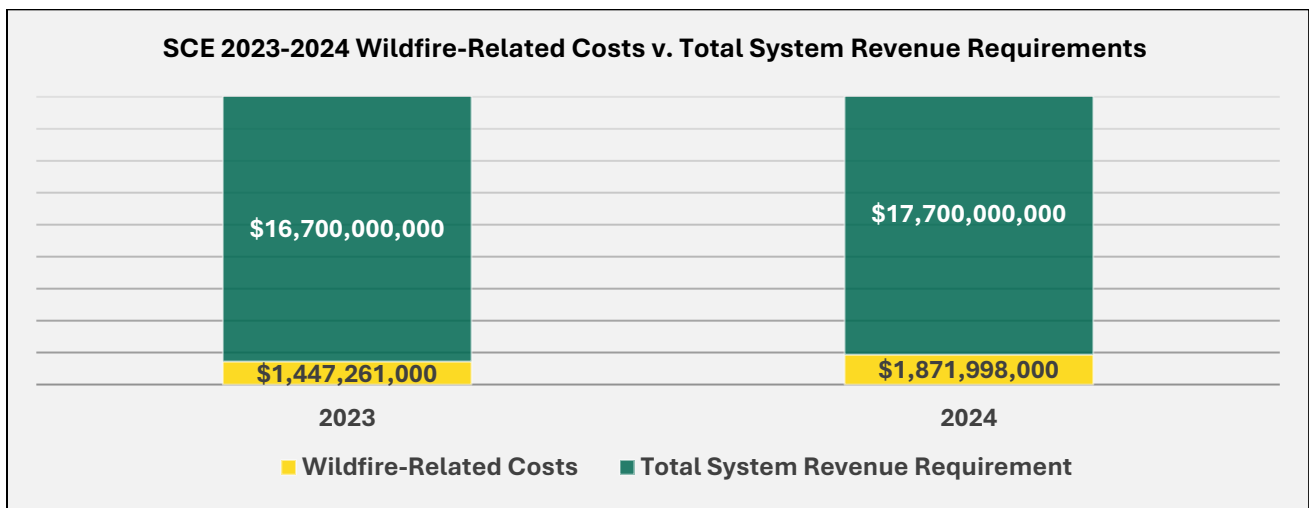
As of March 2024, SDG&E's wildfire-related costs accounted for roughly 10% of SDG&E's total system revenue requirement, compared to 6% in 2023. Between January 2023 and March 2024, wildfire-related costs increased by 62% as shown in the figure below.



Source: Data from Utility Advice Letters and Responses to Information Requests.

SCE Wildfire-Related Costs

As seen in the figure below, between 2023-2024 SCE's total wildfire-related costs have increased by 29%. Wildfire-related costs make up approximately 11% of SCE's total system revenue requirement.



Source: Data from Utility Advice Letters and Responses to Information Requests.

In future years, we anticipate wildfire-related costs to continue to increase as the impacts of climate change, such as drier and hotter weather, contribute to increased wildfire risk. In addition to evaluating the reasonableness of these costs, the Public Advocates Office is looking for ways to spread the cost recovery over a longer period of time so that current ratepayers do not shoulder all the burden of paying for wildfire mitigation measures that should have been done in previous decades.

For any questions or additional information, please contact Mary Flannelly at mary.flannelly@cpuc.ca.gov.