Responding to Natural Catastrophes – New Models and Approaches
Submission by the California Alliance for Community Energy (CACE)

December 12, 2025

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Overview

The California Alliance for Community Energy (CACE) is a statewide coalition that promotes clean, affordable, community-based energy systems that prioritize public safety and resilience. CACE appreciates the opportunity to contribute to the SB 254 Study regarding new models and approaches to complement or replace the California Wildfire Fund.

Our comments focus on:

(1) maintaining strict investor-owned utility (IOU) accountability for wildfire damages;

(2) requiring rigorous, independent audits of wildfire mitigation spending;

(3) rejecting performance "rewards" for merely meeting basic safety obligations;

(4) integrating cost-effective solar-plus-storage as a core wildfire mitigation strategy; and

(5) enabling community microgrids by reforming statutory and regulatory barriers.

These recommendations align directly with the Legislature's mandate in PUC § 917(c) to evaluate new models that "mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes" across all stakeholders.

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1) Preserve utility liability for wildfire damages

Liability for damage caused by IOUs must be the responsibility of IOU's and their shareholders and not shifted to taxpayers or ratepayers. Providing relief from bad behavior only encourages more bad behavior. Let's not forget that IOUs have histories of felonies, negligence, and billions in unaccounted-for wildfire spending. Lessening utility accountability will encourage poor performance and reduce public trust.

2) Require Independent Audits Before Authorizing Additional Wildfire Funding

There is a history of uncontrolled and inappropriate spending by IOUs without appropriate CPUC oversight. There has not been an audit of wildfire spending by the CPUC since 2019. At that time utility records were marred by a lack of appropriate accounting, and missing records which resulted in questions about underspending, switched spending and nonspending. The CPUC paid the entire amount without proper documentation. This practice should not be allowed to continue. Quite simply, utilities should only receive funds if they prove they spent the money, there were no accounting slights of hand and estimated costs must be verified as actually being spent.

No additional funds should be provided to utilities under there is an audit of all prior wildfire spending. No future wildfire related costs should be remitted without proper oversight and review. CACE strongly recommends independent, outside, recurring financial audits.

Subsequent to the CPUC performance with the 2019 audit, responsibility was shifted to the Natural Resources Agency OEIS. The most recent audit conservatively estimated the following recommendations to disallow the collection of:

$240M (out of $759M) that SDG&E cannot show that it ever spent, or if it diverted that money to other programs -- what it spent it on and whether that money was double authorized.

$700.4M (out of $2.868B) that SCE cannot show that it spent or if it diverted what programs that money went to -- and whether the estimated costs (which the PUC authorized) equaled the actual costs actually spent on estimated programs.

$1,544B (out of $2.42B) that PG&E cannot show was ever spent or was not double recovered for their 2019 and 2020 WMP programs

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What is clear is that wildfire spending must be audited. Regulators owe it to the other stakeholders to ensure proper accountability and the utilities should not be allowed to operate without appropriate oversight and treat wildfire spending as a cash cow.

3) Do Not Reward IOUs for Merely Meeting Basic Safety Obligations

Utility related wildfires have resulted from poor management. Providing acceptable service should not be rewarded, it should be required. Providing IOUs additional revenue opportunities never results in lower rates. IOUs will game the system. CACE does not support recommendations that reward utilities for basic safety compliance. Base revenue should be at risk.

4) Cost effective mitigation must be considered and encouraged

IOUs avoid consideration of Solar Plus Storage as a wildfire mitigation strategy. IOUs should be required to consider Solar Plus storage as a cost effective mitigation measure that should be part of utility efforts to reduce the risk of ignition of wildfires. It is a proven technology that is more cost effective than other technologies. It can be employed rapidly and can utilize public/privated partnerships to lower up front costs.

Utilities have gone out of their way to not consider and deploy this measure; instead considering more expensive less safe propane based systems. Utilities can avoid significant environmental impacts and wildfire mitigation spending if they pursue saturation deployment of grid-tied solar-plus-storage (SPS) at customer sites on high fire risk line segments instead of covered conductors, strategic undergrounding, and overhead distribution hardening.

5) Communities must be given the tools needed to provide for local resilience through the use of microgrids

It is not enough to promote IOU's to consider microgrids, it is necessary to remove the major impediment to community designed microgrids. Communities have an important role in protecting their communities from wildfires and associated distribution in energy service. Community based microgrids can provide resilience both by enabling critical facilities to keep operating and allowing critical services to continue. To enable communities to protect their communities it is necessary to eliminate CPU Code Section 218 , the "over the fence rule" which renders community designed microgrids impossible to implement. Supporting a statewide public bank would expand financial options for communities pursuing microgrids and would facilitate their development.

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CACE appreciates the opportunity to provide these recommendations. Thank you for allowing us to be part of such an important dialogue.