Affordable Energy Campaign Wildfire Platform

Introduction:

California is in an electricity affordability crisis. Since 2014, residential electricity rates for major California utilities have increased roughly 70–100%,[1] while millions of Californians struggle to keep up with their utility bills. Wildfire-related costs are now among the largest drivers of these increases. Today, roughly one out of every six dollars paid by utility customers goes toward wildfire mitigation and liability costs.[2]

California must continue investing in wildfire safety and resilience. But the current framework increasingly asks ratepayers to absorb most wildfire-related costs with limited accountability for results, limited visibility into spending, and limited investment in the community-scale prevention strategies that could reduce the long-term human and financial toll of catastrophic fire.

Immediate action is needed to further reform our approaches to wildfire prevention and liability before another catastrophic wildfire disaster. We urge the Legislature and the Governor to consider the following reforms and act expeditiously to ensure greater affordability for Californians.

- Hold Utilities Accountable for Utility-Caused Wildfires
- Reduce Electric Bills for Families
- Ensure Robust Statewide Investment in Community-Focused Prevention

We also urge that these reforms - and those advanced by other stakeholders - be considered through a transparent, inclusive and deliberative public process, with sufficient time for community members and other affected stakeholders to meaningfully participate and help shape outcomes. **The issues at stake are too consequential for California's economy, public safety, and electricity system to be resolved through last-minute, closed-door negotiations.**

California must continue investing in wildfire safety and resilience. Our communities deserve safe, reliable electric service, along with a cost-effective and wildfire risk reduction strategy.

But the status quo is unsustainable.

California's wildfire framework asks ratepayers to absorb most wildfire-related costs while providing limited visibility into whether spending is achieving the greatest safety benefits at the lowest reasonable cost.
Affordability requires not only wildfire prevention, but also stronger accountability for how utilities spend money, recover costs, and allocate risk between shareholders and customers.

While California's investor-owned utilities spend more than $7 billion per year[3] addressing wildfires, Californians have a limited ability to actually understand the effectiveness of wildfire mitigation spending and clear visibility into where this money is going.

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1 Public Advocates Office Q1 2026 Electric Rates Report.

2 Calculated based on Slide 11 of Public Advocates Office Q1 2026 Electric Rates Report.

3 See Slide 11 of Public Advocates Office Q1 2026 Electric Rates Report.

Meanwhile, comparatively little investment is directed toward community resilience, home hardening, and landscape-level prevention strategies that can reduce loss of life, reduce the risk that wildfires turn catastrophic, and actually lower the cost of future wildfires to society. California's wildfire mitigation framework, by the numbers, is centered around reducing the risk of utility-caused wildfires, not on achieving the greatest overall societal risk reduction at the lowest cost to the public. Under current regulatory structures, utilities recover wildfire mitigation costs through three primary mechanisms: (1) their General Rate Cases (GRCs), which authorize estimated future spending over a four-year period; (2) Memorandum accounts, including Wildfire Mitigation Plan Memorandum Accounts (WMPMAs) and Wildfire Expense Accounts (WEMAs), which allow utilities to track 'unforeseen' costs not included in the GRCs, which are subject to backwards-looking reasonableness reviews after the funds are spent; and (3) Balancing Accounts (BAs), which allow for cost recovery if spending on GRC-approved line items exceeds authorized levels. Although most planned wildfire mitigation spending should now be included in GRCs, utilities have increasingly relied on WMPMAs, WEMAs, and BAs to recover incremental costs associated with implementing Wildfire Mitigation Plans (WMPs). This is largely due to the fact that, for a variety of reasons, spending in Memorandum and Balancing Accounts tends to be subject to less transparency and regulatory/public scrutiny than GRC-approved spending. Indeed, since the enactment of SB 901 (Dodd, 2018) and AB 1054 (Holden, 2019), spending recovered through MAs and BAs has exploded.

SB 901 and AB 1054 required electric utilities to prepare WMPs for approval by the Office of Energy Infrastructure Safety (OEIS) describing wildfire risks within their service territories and the investments they propose to reduce and manage those risks. The legislation also required the California Public Utilities Commission (CPUC) to allow each IOU to open an MA to track spending to implement its WMP. In practice, this created a mechanism for substantial additional wildfire spending outside the traditional GRC process, subject to less regulatory scrutiny on affordability or efficacy.

In addition, AB 1054 created the Wildfire Fund, locking in ratepayers as a major financial backstop for catastrophic utility-caused wildfire liabilities. Prior to AB 1054, utilities generally could recover those liability costs from customers only after demonstrating to the CPUC that they had acted reasonably. AB 1054 changed this, establishing a new safety certification framework administered by the OEIS. Utilities holding a valid safety certification are presumed to have acted reasonably and granted expedient access to Wildfire Funds and other forms of cost recovery for their liabilities. The burden to demonstrate serious doubts as to the reasonableness of the utility's actions now sits with outside parties, with utilities responsible for proving their conduct was reasonable only if serious doubts can be successfully raised.

The Wildfire Fund is funded equally by ratepayers and utility shareholders through shareholder contributions and a non-bypassable charge paid by non-exempt customers, with CARE and Medical Baseline customers exempt from the surcharge. SB 254 (Becker, 2025) extended the surcharge for the Wildfire Fund for ten more years until 2045, while also allowing Southern California Edison to charge customers for any costs associated with the Eaton fire exceeding available funds from the Wildfire Fund.[4]

Taken together, these statutory and regulatory authorizations are funding wildfire mitigation and liabilities primarily through ratepayers and not shareholders. In fact, as of Jan 2026, 19% of PG&E's total Revenue Requirement (RRQ) was wildfire-related compared to 14% of SoCal Edison's RRQ and 14% of SDG&E's.[5] These rate increases are happening while utility shareholder returns remain strong, customer bills continue to skyrocket, and wildfire victims wait years for compensation and full recovery.

4 See: 'It's effectively a bailout': Edison benefits from fine print in Newsom's last-minute utility legislation - Los Angeles Times. This metric covers much, but not all, of the IOUs' wildfire related costs. See Slide 11, Public Advocates Office Q1 2026 Electric Rates Report

5 This metric covers much, but not all, of the IOUs' wildfire related costs. See Slide 11, Public Advocates Office Q1 2026 Electric Rates Report.

Recommended Wildfire Policies:

1. Hold Utilities Accountable for Utility-Caused Wildfires

Policymakers are actively considering reforms that reduce wildfire-related liability exposure for utilities. Any such reforms must be paired with safety improvements, greater prevention, ratepayer equity, and victim benefits.

1.1 Replace the Wildfire Fund and Eliminate Ratepayers as the Backstop

Phase out and prohibit future ratepayer contributions to the Wildfire Fund while developing a successor liability and insurance framework. Specifically, California should establish a supplemental residual insurance mechanism funded by IOU shareholders, insurance company shareholders, and major greenhouse gas emitters whose activities contribute to escalating wildfire risk. This mechanism should be established to support the private insurance market and shoulder a reasonable portion of wildfire financial risk. The successor fund should be subject to stringent statutory requirements that guarantee timely and reliable compensation for wildfire victims while ensuring that financial responsibility is borne by those who create and profit from wildfire risk - not by electricity ratepayers.

1.2 Give Ratepayers Equity for Wildfire Fund Contributions

If utility ratepayers continue to contribute capital to the current or any future Wildfire Fund, they should receive a commensurate financial interest in the investor-owned utilities they are helping to backstop. Access to the Wildfire Fund, or any successor liability fund, should be conditioned on utilities providing ratepayers with a meaningful equity stake that reflects the value of their financial contribution. The size of this equity interest should be determined based on the cumulative level of ratepayer contributions, the timing of said contributions, and the market value of IOU equity shares. Confirmation of these contributions should be an additional criteria for receiving a safety certification from OEIS. California should establish a Golden State Energy Ratepayer Fund to hold and manage these equity interests on behalf of ratepayers. The Fund should be governed by an independent board with a fiduciary duty to act in the interests of ratepayers, and all dividends, investment returns, and other financial benefits should be used exclusively to reduce electricity costs or otherwise benefit ratepayers.[6]

1.3 Make OEIS Safety Certification Contingent on Stronger Executive Compensation Accountability

As previously noted, OEIS is tasked with issuing a safety certification to each IOU, granting them a presumption of reasonableness and expedient access to Wildfire Funds if the certification is approved. OEIS uses a range of criteria to inform their decision to approve or deny the certification, including whether a safety element exists in the executive compensation structure of the IOU.[7] However, they have limited authority over how executive compensation safety incentives are structured. OEIS should be authorized to establish minimum requirements for executive compensation programs, including the weighting of safety performance within compensation and the circumstances under which compensation may be reduced or eliminated. At least 25 percent of executive incentive compensation should be directly tied to measurable wildfire safety performance, and all incentive compensation should be forfeited if a utility causes a catastrophic wildfire resulting in one or more fatalities. These requirements should apply to all employees serving at the level of vice president, or equivalent, and above, regardless of whether compensation is funded by shareholders or recovered through rates. Providing OEIS with this new authority to dictate the exact incentive structure, as well as a legally mandated minimum threshold of 25% of executive compensation, will strengthen executive accountability and create strong financial incentives for IOUs to mitigate wildfire risks through workforce-supported, safety-first mitigation strategies.

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6 There is precedent for this concept in New Zealand: The Auckland Energy Consumer Trust (AECT) is a not-for-profit, community-owned trust that holds a majority ownership stake in Vector Limited, the IOU serving Auckland. Vector operates as a conventional, profit-seeking IOU, but a large share of those profits ultimately flows back to electricity consumers through the trust as annual payments (often called "power credits"). For more information, see https://www.entrustnz.co.nz/.

7 To be eligible for a certificate, an electrical corporation must document completion of the following specific actions related to safety. (Pub. Util. Code § 8389[e][1-7])

1.4 Strengthen Financial Penalties for Safety Failures

The CPUC and OEIS should be authorized to impose meaningful shareholder-borne financial penalties and corrective actions when utilities fail to implement approved wildfire mitigation measures in a cost-effective manner, fail to meet established wildfire safety performance metrics, or fail to implement corrective actions identified through safety culture assessments. Financial penalties for non-performance must be mandatory (and not solely left at the discretion of OEIS or CPUC) and significant enough to incentivize meaningful course corrections (e.g., >$10M/violation).

In addition, California should adopt OEIS recommendations to strengthen safety reporting requirements and require utilities to systematically share lessons learned, best practices, and safety failures across the industry to improve wildfire prevention performance.

1.5 Establish a Public and Community Right of First Refusal

If an investor-owned utility seeks to sell or otherwise transfer electric infrastructure assets as a result of insolvency or financial distress related to wildfire liabilities, the State of California, local governments, public utilities, tribal utilities, community choice aggregators (CCAs), joint powers authorities, or a not-for-profit mutual benefit corporation representing affected ratepayers should have a right of first refusal to acquire those assets before they are offered for sale to private entities.

Providing qualified public, tribal, and community entities with the first opportunity to acquire utility assets can preserve critical infrastructure in the public interest, expand opportunities for public and community ownership where appropriate, and ensure that ownership transitions prioritize affordability, reliability, resilience, and local accountability.

2. Reduce Electric Bills for Families

Wildfire prevention costs now account for a significant share of customer electricity bills. California should pursue mature, common-sense reforms that reduce costs while maintaining safety and reliability.

2.1 Enforce Wildfire Mitigation Cost Efficiency

The CPUC must only allow recovery for prioritized, cost-effective wildfire mitigation expenses. CPUC must enforce existing disallowance requirements for WMP costs that are not cost-effective and therefore inherently unreasonable.

2.2 Require All Wildfire Spending to Be Approved Through the General Rate Case Process (No Balancing or Memorandum Accounts for Wildfire Spending)

Although most wildfire mitigation spending should now be authorized through General Rate Cases (GRCs), investor-owned utilities continue to expand wildfire-related expenditures through two mechanisms that operate outside the traditional GRC budgeting process. First, utilities may record additional wildfire mitigation expenditures in memorandum accounts, such as Wildfire Memorandum Plan Memorandum Accounts (WMPMAs) and Wildfire Expense Memorandum Accounts (WEMAs) for later recovery. Second, some utilities may use balancing accounts to recover wildfire mitigation costs that exceed GRC-authorized spending - balancing account expenditures are rarely disallowed. Both mechanisms reduce the effectiveness of upfront cost review by allowing utilities to seek recovery of significant additional expenditures outside the standard GRC process, often without predetermined spending caps or, as mentioned previously, the same level of transparency and scrutiny on expenditures.

California should require all wildfire mitigation expenditures to be reviewed and authorized through the General Rate Case process. Memorandum and balancing accounts should not be used to recover incremental wildfire mitigation spending.

Consolidating all wildfire spending within the GRC process will strengthen cost discipline, improve regulatory oversight, and better protect ratepayers from unnecessary costs.

2.3 Require Regular Audits of Wildfire Mitigation Spending

Revive AB 1774 (Boerner) to require regular independent audits of utility wildfire mitigation spending authorized through GRCs. The most recent audit identified approximately $2.5 billion in unspent or unaccounted-for wildfire mitigation plan funding for the three electric IOUs.[8] Although we do not believe that any future WEMAs should be authorized, if they are, they should only be authorized after a full audit is completed on GRC-approved wildfire expenditures.

2.4 Permanently Eliminate Profit on Wildfire Infrastructure Investments

Wildfire safety investments should prioritize financing structures that minimize long-term ratepayer costs rather than maximizing shareholder returns. Sections 8386.3 and 8386.10 of the Public Utilities Code currently limit profit exclusions to the first $5 billion and $6 billion of wildfire-risk capital spending across all IOUs. Moving forward, all wildfire-resiliency capital expenditures should be permanently excluded from the equity rate base. If securitization orders are authorized for financing wildfire infrastructure expenditures or liability expenditures, they must include a shareholder cost-share.

2.5 Authorize and Require Low-Cost Public Financing for Undergrounding Projects

Require major undergrounding projects to utilize low-cost public financing. In practice, this would include expanded use of state financing entities such as iBank. California should also evaluate public-interest wildfire infrastructure financing and ownership pathways capable of issuing low-cost bonds, supporting public or community ownership opportunities where appropriate, and reducing long-term dependence on monopoly utility ownership and financing structures that increase costs for ratepayers.

2.6 Require Evaluation of DER Alternatives to Undergrounding

Before any undergrounding project moves forward, require OEIS to evaluate whether clean distributed energy coupled with targeted de-energization strategies can achieve the same safety objectives as proposed undergrounding projects at lower cost.

3. Ensure Robust Statewide Investment in Community-Focused Prevention

IOU ratepayers currently contribute far more toward wildfire prevention than corporate taxpayers, personal income taxpayers, and property taxpayers.[9] California should supplement and partially replace ratepayer funding with a broader mix of statewide resilience, climate, and public safety funding sources, significantly ramping up community-scale and home hardening investments. At least $5 billion annually is needed to approach this statewide issue. California should also evaluate whether certain categories of wildfire resilience infrastructure are best financed, coordinated, owned, or operated through traditional utility structures, public entities, community-based entities, or hybrid models. The appropriate governance structure should be determined based on which approach can most effectively reduce wildfire risk, improve accountability, and deliver the greatest value to the public at the lowest reasonable cost.

3.1 Sharpen the Whole-of-Government Wildfire Prevention Strategy

Create a public fire safety infrastructure authority to organize both funding and oversight in a way that builds on state, regional, and local prevention goals. Begin with enhancing the California Wildfire and Forest Resilience Taskforce to coordinate an annual

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8 Fire survivors call for audits of Edison's wildfire prevention spending - Los Angeles Times.

9 "Because electricity bills account for a larger share of income among lower-income households, we find this invisible electricity tax is more regressive than the state sales tax and far more regressive than the state income tax." Severin Borenstein, Meredith Fowlie, and James Sallee "Paying for Electricity in California: How Residential Rate Design Impacts Equity and Electrification" (September 2022).

statewide wildfire prevention plan that aligns the work of relevant agencies and identifies the most cost-effective investments across landscape management, community and home hardening, and ignition prevention.

3.2 Significantly Increase Wildfire Prevention Funding

Wildfire prevention must be done holistically and prioritize protecting communities and homes. New revenue, outside of ratepayers, needs to contribute to this holistic approach. Polluters that are causing the escalation of these catastrophic wildfires must contribute to prevention funding. In addition to polluters' contribution to prevention, beneficiaries like the insurance industry and landowners should also be required to contribute. The contribution from ratepayers should be significantly reduced and prioritized based on community needs.

3.3 Public Fire Safety Infrastructure and Community Wildfire Resilience Districts

Building wildfire-resilient communities will require financial participation beyond utility ratepayers alone. Communities in Very High and High State Responsibility Area Fire Hazard Severity Zones should be required to form joint powers authorities or special public districts to plan, fund, and maintain household and community-wide wildfire risk reduction measures consistent with California Department of Insurance regulations and state wildfire-resilience frameworks.

A state or regional public fire safety infrastructure authority should be formed with the mandate and authority to issue low-cost public bonds to finance the highest-priority undergrounding, grid hardening, and resilience infrastructure in high-risk areas, as identified through OEIS. These assets could then be leased to utilities or local entities for operation. This approach would move a defined category of wildfire safety infrastructure outside the IOU profit model, align financing with the long-lived public nature of the assets, and potentially improve the viability of community microgrids and other local resilience solutions.

To ensure that costs and benefits are shared equitably, infrastructure investments within designated Severity Zones should be funded through a cost-sharing formula that combines local property assessments, state contributions, utility revenue, polluter contributions, and, where appropriate, public financing tools. This type of shared-risk, shared-investment model could lessen pressure on electricity rates while strengthening local ownership and accountability for resilience outcomes.

Who We Are

The Affordable Energy Campaign is a coalition of environmental, environmental justice, consumer, and economic justice organizations working to make energy more affordable for California families. We help advance policies that reduce costs for customers and vulnerable communities, support grid modernization that creates good jobs and maintains a strong workforce, and modify regulatory structures to align with affordability, safety, community resilience, and reliability.