

SENATE THIRD READING

SB 453 (Stern)

As Amended July 17, 2025

Majority vote

SUMMARY

Requires the California Public Utilities Commission (CPUC) to review the status of unallocated ratepayer funds for the microgrid incentive program (MIP), directs the CPUC to allocate available MIP funds to areas affected by deenergization events and to prioritize vulnerable communities, and requires return to ratepayers any MIP funds unallocated by January 1, 2027.

Major Provisions

- 1) Requires the CPUC to review the status of unallocated funds collected by the state's largest electric investor-owned utilities (IOUs) and determine if additional actions are needed to advance the MIP.
- 2) Requires the CPUC, if it determines additional actions are needed to advance the MIP, to consider the use of a third party to administer the MIP for each applicable IOU, and ensure the remaining funds are allocated to areas that have experienced two or more deenergization events, prioritizing vulnerable communities, including access and functional needs populations that rely on electric medical devices and refrigerated medication, and prioritizing customers that operate critical community infrastructure that supports resiliency during a deenergization event.
- 3) Requires that any remaining unallocated MIP funds on January 1, 2027, be returned to IOU ratepayers as bill credits and states that this bill does not authorize the CPUC to collect any additional funds from ratepayers for the MIP.

COMMENTS

Microgrids. Generally, a microgrid is an interconnected network of electrical loads and distributed generation resources interconnected to the larger electrical grid that can be "islanded" to operate independent of the electrical grid. A microgrid can be as simple as a diesel-fuel generator located near a building, such as a hospital, that can provide needed power during an electric power outage. Microgrids provide reliability and resiliency to better manage challenges, such as power outages due to wildfire and flooding.

In 2018, the Legislature passed SB 1339 (Stern), Chapter 566, Statutes of 2018, to require the CPUC, in consultation with the California Energy Commission and the California Independent System Operator, to take specified actions by December 1, 2020, to facilitate the commercialization of microgrids for distribution customers of large electrical corporations. Since September 2019, the CPUC has held an open and active proceeding to implement the bill (R. 19-09-009). In Decision 20-06-017, the CPUC ordered Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE) to jointly develop a statewide MIP to fund clean energy microgrids to support the critical needs of vulnerable communities impacted by grid outages, and test new technologies or regulatory approaches to inform future action on microgrids.

SB 1339 did not specify an amount or duration of ratepayer collections to fund the MIP or any other funding source. Absent statutory direction, the CPUC, by Decision 21-01-018, determined that funds to support the microgrid program of each IOU should be paid with ratepayer collections from all of that IOU's customers. The CPUC approved a \$200 million budget for the entire program, with \$79.2 million for PG&E, \$83.3 million for SCE, and \$17.5 million for SDG&E.

As of July 2025, SDG&E reported it has awarded all of its MIP funding, PG&E reported it has awarded about half of its funding, and SCE reported that it only recently has awarded \$17.5 million for one project and that it has more applications under review. This leaves about \$43 million in funding available for PG&E and about \$69 million for SCE, money this bill requires be returned to ratepayers if each IOU, respectively, is unable to allocate those funds to microgrid projects by January 1, 2027.

In addition to the MIP administered by the CPUC, the CEC reports that it has provided a total of \$307 million for microgrid projects, including \$208 million for nine microgrid projects over the past several years through the Long Duration Energy Storage (LDES) Program. The CEC also has provided \$99.7 million to fund eight tribal microgrid projects over the past five years through the EPIC program, Energy Conservation Assistance Act (ECAA) Program, and LDES. These programs administered by CEC are also funded in part by IOU ratepayers.

Deenergization events. In recent years, California has experienced a number of catastrophic wildfires, including several ignited by electrical utility infrastructure. Electrical equipment, including downed power lines, arcing, and conductor contact with trees and grass, can act as an ignition source. Risks for wildfires also increased with extended drought and bark beetle infestation that has increased tree mortalities, providing increased fuel and risk of wildfires. As a result, electrical corporations have increasingly utilized proactive power shutoffs, deenergization of electric distribution (and sometimes transmission) lines, as a tool to prevent igniting wildfires, particularly during high wind event days with dry ground conditions.

The CPUC has adopted protocols for IOUs to deenergize electric lines with a focus on who should receive notice and when, who should be responsible for notification, and how different customer groups should be identified. The protocols require electrical corporations to develop work groups that include representatives of the access and functional needs population. As the protocols have evolved over the years, there has been expanded requirements to develop needs assessments and plans to coordinate with identified access and functional needs population, identify critical infrastructure, and coordinate with public safety partners.

Collection of Ratepayer Funds. The CPUC administers many public purpose programs (PPPs) with funds the IOUs collect from ratepayers in their monthly bills. For some PPPs, a statute directs the amount and duration of ratepayer collections to fund a specific program, with a sunset provision, so that additional legislative authorization is required to extend collections beyond the original period. In other cases, such as with the MIP, a statute directs the CPUC to establish a program but does not specify an amount or duration of ratepayer collections to fund it. In a 2014 decision, a California appellate court held that the CPUC had authority to order IOU ratepayer collections to fund an energy research program, even after the Legislature failed to renew the statutory authorization to collect ratepayer funds for substantially the same program. (*Southern California Edison Co. v. Natural Resources Defense Council* (Cal. App. 2nd Cir. 2014)) The court upheld the CPUC's decision to order collection of ratepayer funds for an energy related

program because no statute specifically prohibited it from doing so. This bill was amended by the Assembly Committee on Utilities and Energy to expressly provide a sunset date for return to ratepayers of unused funds and require new statutory authorization for collection of any additional funds for the MIP.

According to the Author

According to the author: "Extreme weather events and the threat of wildfires, and urban fires continue to result in the state's investor-owned utilities initiating Public Safety Power Shutoffs (PSPS) across large portions of their service area. While PSPS commonly last a day, they can also last for many days at a time, or be triggered on and off over a series of days until conditions improve to restore power. However, PSPS events that last just a few days or longer adversely impact services provided by critical facilities and by local governments. They also disproportionately impact vulnerable communities and access and functional needs persons who rely on electricity for medical devices and refrigerated medication to sustain their health. For vulnerable communities and access and functional needs customers PSPS events can actually increase risks to public health. The good news is we currently have rate-payer incentives through the [MIP] to provide funding to microgrid projects that enhance energy resiliency to mitigate the effects of PSPS events. The problem is implementing the program in some regions of the state have not been as aggressive as many would have hoped. If we can improve implementation then available incentives can get out the door faster for needed microgrid projects."

Arguments in Support

350 Sacramento, consistent with other supporters of the bill, states the following; "To stay in alignment with California's environmental justice goals, communities most impacted by climate change should have reliable, local electrical power during ever-more-frequent heatwaves, fires and floods that come with our warming planet. Microgrids ensure more resiliency during outages. SB 453 facilitates the protection of vulnerable communities while stabilizing the grid during extreme weather incidents due to climate change."

Arguments in Opposition

This bill has no registered opposition. However, PG&E raises "concerns," stating: "SB 453 (Stern) could unintentionally hinder program progress and increase costs for customers. The bill may require a third-party administrator—even when unnecessary—and mandates cost recovery through customer rates. Transferring administration could lead to duplicative expenses and inefficiencies, ultimately burdening customers. Additionally, shifting control to a third party raises concerns about oversight, transparency, and delays. The CPUC already has authority to oversee utility-led implementation, making SB 453's requirements redundant and potentially disruptive to the current framework."

FISCAL COMMENTS

According to the Assembly Appropriations Committee, this bill creates minor, absorbable costs to the CPUC.

VOTES**SENATE FLOOR: 39-0-1**

YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener

ABS, ABST OR NV: Reyes

ASM UTILITIES AND ENERGY: 18-0-0

YES: Petrie-Norris, Patterson, Boerner, Calderon, Chen, Davies, Mark González, Harabedian, Hart, Irwin, Kalra, Papan, Rogers, Schiavo, Schultz, Ta, Wallis, Zbur

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Arambula, Calderon, Caloza, Dixon, Elhawary, Fong, Mark González, Hart, Pacheco, Pellerin, Jeff Gonzalez, Solache, Ta, Tangipa

UPDATED

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CONSULTANT: Jackie Kinney / U. & E. / (916) 319-2083

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