CALIFORNIA EARTHQUAKE AUTHORITY

Wildfire Fund Administrator

TABLE OF CONTENTS

August 12, 2024

Notice Publication Date: August 2, 2024

PUBLIC NOTICE

A PUBLIC MEETING OF THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL

NOTICE IS HEREBY GIVEN that the California Catastrophe Response Council (Council) will conduct a public meeting as described in this Notice. Pursuant to California Government Code §11120 *et seq.*, the Bagley-Keene Open Meeting Act applies generally to meetings of the Council, and the meeting is open to the public – public participation, comments, and questions will be welcome for agenda items on which the Council is considering taking action. All items on the Agenda are appropriate for action if the Council wishes to take action. Agenda items may be taken out of order.

This meeting will be held both in-person and via teleconference in accordance with Government Code section 11123.2. The meeting location noted below will be open to Council members and the public. The public may also participate remotely through the Zoom meeting link below. None of the locations from which the Council members will participate remotely will be open to the public.

DATE: **August 12, 2024**
TIME: **1:00 p.m.**
LOCATION: **400 Capitol Mall, Suite 670, Sacramento, CA 95814**

TELECONFERENCE ACCESS:

By Computer (Open the Zoom* App, or navigate to www.zoom.com):
Enter Meeting ID: 837 5760 7439
Direct Link: https://us02web.zoom.us/j/83757607439

By Phone: 1 (669) 900-6833
Enter Meeting ID: 837 5760 7439

* Please note that use of the Zoom platform to access the meeting may require the entry of an email address and may be subject to the Terms of Use and Privacy Policy of Zoom, which are outside the control of the Council or CEA. Anyone with concerns about the use of Zoom should attend the meeting from the physical location noted above.

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comments at this public meeting. The telephone lines and Zoom links of members of the public will be muted to prevent background noise from inadvertently disrupting the meeting. Phone lines and Zoom links will be unmuted upon request to allow for public comment when appropriate.

The member of the Council acting as Chair of the meeting will indicate when a portion of the meeting is to be open for public comment. Members of the public attending via Zoom or phone must either press *9 on their phone or use the "Raise Hand" button on Zoom. This action will notify the meeting moderator that you wish to comment, and you will be placed in line to comment in the order in which requests are received. When it is your turn to comment, the moderator will unmute you and announce your opportunity to comment. The Chair of the meeting reserves the right to limit the time for comment. **Members of the public should be prepared to complete their comments within approximately 2 to 3 minutes.** More or less time may be allotted by the Chair in his or her sole discretion. Please take notice that this meeting may be recorded, and that making public comments at the meeting will indicate your consent to the recording and to all future use and distribution of the recording.

ACCESSIBILITY FOR DISABLED PERSONS: The CEA complies with the Americans with Disabilities Act (ADA) by ensuring that the meeting facilities are accessible to persons with disabilities, and providing this notice and information given to the members of the California Catastrophe Response Council in appropriate alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, you may contact CEA's ADA Coordinator no later than five calendar days before the meeting at (916) 661-5400, or by email to EEO@calquake.com. TTY/TDD and Speech-to-Speech users may dial 7-1-1 for the California Relay Service to submit comments on an agenda item or to request special accommodations for persons with disabilities.

MEETING MATERIALS: A copy of this Notice and Agenda has been posted on the Wildfire Fund website https://www.cawildfirefund.com/council. Prior to the meeting, the written materials that will be provided to members of the Council will also be posted on this website. Finally, on the day of the meeting, a copy of any presentation deck that the Council or the Administrator may use during the meeting will also be posted to this site.

For further information about this notice or its contents:

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To view this notice on the California Wildfire Fund website and to access meeting materials, please visit https://www.cawildfirefund.com/council

AGENDA

1. Quorum: Call to order and member roll call:
   - Governor
   - Treasurer
   - Insurance Commissioner
   - Secretary for Natural Resources
   - Tracy Van Houten, Appointee of the Speaker of the Assembly
   - Kathleen Ritzman, Appointee of the Senate Rules Committee
   - Paul Rosenstiel, Public Member appointed by the Governor
   - Rhoda Rossman, Public Member appointed by the Governor
   - Catherine Barna, Public Member appointed by the Governor

   Establishment of a quorum

2. Minutes: Review and approve the minutes of the February 29, 2024, meeting of the Council.

3. Vice Chair: Chair Mark Ghilarducci will ask the Council to select a vice chair.

4. Executive Report: CEA Chief Executive Officer Tom Welsh and other executive staff, as indicated, will provide the Council with an executive report on the following key items:

   A. CEA Operations and Leadership – Tom Welsh
   B. Enterprise Risk Management – Shawna Ackerman, Chief Risk & Actuarial Officer
   C. Claims Administration – George Sittner, Chief Insurance & Claims Officer

5. Plan of Operations (Annual Report): CEA General Counsel Suman Tatapudy will ask the Council to review and consider approval and adoption of the Administrator's Fifth Annual Plan of Operations (Annual Report) to the Legislature and, if approved, authorize the Administrator to deliver the Fifth Annual Report to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy.

6. Durability Analysis: Mr. Welsh will lead a discussion related to the recent receipt of multiple requests that the Administrator undertake a modeling analysis of the Wildfire Fund's durability if the Fund were ordered to make up to $6 billion in distributions to the PG&E Fire Victims Trust.

7. Administrator Evaluation: Council Member Khaim Morton will give an overview of the process used for the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2023. Mr. Welsh will present the comments received from the Council on CEA's performance.

8. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of June 30, 2024.

9. San Diego Gas & Electric Presentation: San Diego Gas & Electric Senior Counsel Laura Fulton will provide an overview presentation on San Diego Gas & Electric's wildfire mitigation activities.

10. Public Comment: The Council will invite public comment on matters related to the Wildfire Fund that do not appear on this agenda and to make requests that matters be placed on a future Council meeting agenda.

11. Adjournment.

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 02: Meeting Minutes

Recommended Action: Approve Minutes of February 29, 2024 Meeting

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Attached is a draft of the meeting minutes of the meeting of the California Catastrophe Response Council (Council) held on February 29, 2024. CEA staff has reviewed these minutes and believe that they accurately summarize and document the matters discussed and actions taken by the Council at this meeting.

CEA staff recommends approval and adoption of the draft minutes as the official record of the Council meeting of February 29, 2024.

DRAFT
CALIFORNIA CATASTROPHE RESPONSE COUNCIL MEETING
MINUTES

February 29, 2024
2:00 p.m.

Location: 400 Capitol Mall, Suite 670
Sacramento, CA 95814

Members of Council in attendance:
Mark Ghilarducci, Chair, designee of Governor Gavin Newsom
Khaim Morton, designee of State Treasurer Fiona Ma
Lisbeth Landsman-Smith, designee of Insurance Commissioner Ricardo Lara
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot
Tracy Van Houten, appointee of the Speaker of the Assembly
Kathleen Ritzman, appointee of the Senate Committee on Rules*
Rhoda Rossman, Public Member
Catherine Barna, Public Member*

*Participated remotely.

Paul Rosenstiel, Public Member, was unable to attend.

Members of CEA Staff in Attendance:
Tom Welsh, Interim Chief Executive Officer
Tom Hanzel, Chief Financial Officer
George Sittner, Chief Insurance and Claims Officer
Suman Tatapudy, General Counsel
Andrea Wheeler, Enterprise Risk Manager
Susan Johnson, Governance Liaison

1. Quorum: Call to order and member roll call.

Chair Mark Ghilarducci called the meeting to order at 2:00 p.m.

Ms. Tatapudy provided an overview of the new requirements for public meetings held via teleconference under Senate Bill (SB) 544.

Ms. Johnson called the roll and announced that a quorum was present.

2. Minutes: Review and approve the minutes of the November 2, 2023, meeting of the Council.

Mr. Welsh noted a correction to the minutes on page 4 in the paragraph regarding out-of-compliance securities and stated “$740 million” has been corrected to “$742,000.”

MOTION: Mr. Cash moved to approve the November 2, 2023, minutes of the California Catastrophe Response Council. Ms. Van Houten seconded. There was no public comment on the motion. The motion passed unanimously by roll call vote.

3. **Executive Report: CEA Chief Executive Officer (Interim) Tom Welsh will provide the Council with an executive report.**

Interim Chief Executive Officer Tom Welsh stated former Chief Executive Officer Glenn Pomeroy stepped down in January and the CEA Governing Board had designated him as the Interim CEO. A national search is under way to secure a replacement. A subcommittee to facilitate the anticipated six-month search is made up of CEA Governing Board members Lloyd Dixon and Michael Martinez. The search firm will consider both inside and outside candidates.

Mr. Welsh stated, in his interim role, he will principally focus on the pillars of the CEA's operations, which remain stable and unchanged: continuing operational excellence, prudent financial management, and event readiness. He stated the CEA will continue to engage and collaborate with the three investor-owned utilities (IOUs) to ensure statutory alignment, and plan for the eventual depletion of the California Wildfire Fund (CWF).

Discussion

Ms. Rossman asked if the plan for the eventual depletion of the CWF will be presented to the Council. Mr. Welsh stated regular progress reports will be presented to the Council on plans for the CWF.

Chair Ghilarducci stated it is important for the Council to understand what is happening in the field. He asked staff to regularly invite the IOUs to present at future meetings on their mitigation efforts, challenges, and current conditions.

Public Comment

There was no public comment.

4. **Administrator Evaluation: Mr. Welsh will ask the Council to appoint two members to the informal Administration Evaluation Subcommittee for the purpose of preparing the evaluation of the CEA as the Wildfire Fund Administrator for 2023.**

Mr. Welsh explained the function of the informal Administration Evaluation Subcommittee.

Discussion

Chair Ghilarducci suggested, instead of a subcommittee, sending out an online survey to council members to be summarized at the next Council meeting. He asked for a volunteer to review the survey questions before they go out, to ensure the questions meet the intent of the Administration Evaluation. Staff can then review the results and present a summary of the findings to the Council.

Mr. Morton volunteered to work with CEA staff on the annual evaluation survey.

Public Comment

There was no public comment.

5. **Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of December 31, 2023.**

Chief Financial Officer Tom Hanzel reviewed financial highlights from the past quarter.

Balance Sheets:

- Total assets increased year-over-year by approximately $1.3 billion to approximately $11.5 billion as of the end of the year. The increase was primarily driven by the receipt of non-bypassable charges (NBCs) from ratepayers and remitted to the Fund by the IOUs, together with other additions and net of budgeted deductions.
- There was also an increase in liabilities this year. $600 million in loss reserves was put up for the Dixie Fire related to Pacific Gas and Electric Company (PG&E), based on their current public financials. This is $600 million in excess of the $1 billion deductible. It would not be included in the audited financials since no cash has been paid out but it will be adjusted up or down as needed in the future.
- The Wildfire Fund's Total Net Position of $10.9 billion as of December 31, 2023, increased approximately $821 million year-over-year.

Statements of Revenues, Expenses, and Changes in Net Position:

- There were $1.7 billion of additions to the CWF this year, the vast majority of which came from contributions, with approximately $888 million coming from the NBCs, which is from ratepayers, and $300 million in annual contributions from the IOUs. This totaled approximately $1.2 billion in net additions.
- The CWF has both investment income and unrealized losses and gains. Investment Income and Expenses was approximately $210 million during 2023, after the prior year of $122 million. This is due to the higher reinvestment rate. It will take time, but every month sees an improvement in returns.
- The Change in Unrealized Gains was approximately $275 million in 2023, as compared to the prior year's change in unrealized loss position of $856 million. The benefit of rates modestly moving down from their peak is being seen in the unwinding of some of last year's unrealized loss position.
- Balance sheet deductions to Fund Assets were approximately $850 million in 2023, the vast majority being the $600 million reserve for PG&E's claim for losses from the Dixie Fire. Additionally, the Surplus Money Investment Fund (SMIF) loan repayments of $250 million were completed with the SMIF loan paid in full in April of 2023

Contributions and NBCs Received:

- The annual $300 million contributions from the IOUs came in at the end of 2023. These funds were kept in short-term mutual funds until the new year and then the cash was deployed.

- $888 million in NBC funds were received in 2023 from the Department of Water Resources (DWR) which collects the funds from the IOUs. A change from paper-based monthly payments to electronic weekly payments began in January of 2024 with approximately $81 million received so far this year.

Investment Analysis:

- The CWF's total portfolio market value for December 2023 was $11.41 billion, with an average duration of 3.47 years and average credit ratings of "AA." There was no movement on credit quality. The CWF is still focused on the preservation of principal, not bringing in additional credit risk.
- There was a 6-month extension of the duration, as more funds were received and maturities were reinvested for a longer term. This will extend further as more maturities are reinvested at higher rates for longer periods of time.
- The Income Return Net of Fees moved from 1.68 percent to 2.53 percent – nearly a 100 basis point improvement year-over-year. This improvement continues to be seen every month.
- Monthly Investment Income increased from $14.2 million to $23.8 million, almost doubling per month year-over-year. This is expected to continue.

Unrealized Losses:

- The CWF portfolio currently has $744 million of unrealized losses, down from October's $1.22 billion unrealized loss position. This amount will continually fluctuate with the underlying treasury rate. Unrealized losses in the portfolio will decrease over time as bonds mature and the proceeds are reinvested in a rising interest rate environment.

2024 Requests for Qualifications (RFQs):

- CEA staff issued RFQs for investment managers for the CEA and the CWF to down-select the number of current investment managers, and for a financial advisor for the CEA and the CWF. It is anticipated that the selected candidate(s) will be presented for approval at the June 11, 2024, CEA Governing Board meeting. CEA staff will subsequently provide the Council with an update on the contracting status at the July 11, 2024, CCRC meeting.

Discussion

Chair Ghilarducci asked if the set-aside for the Dixie Fire was estimated. Mr. Hanzel deferred to George Sittner to respond to that question. CEA Chief Insurance and Claims Officer George Sittner stated the amount of the reserves for the Dixie was taken directly from PG&E's reported loss estimate.

Chair Ghilarducci stated he liked the idea of reevaluating the number of asset managers to streamline the process of managing Wildfire Fund assets.

Public Comment

There was no public comment.

6. **Proposed 2024 CWF Budget: Mr. Hanzel will seek approval of the proposed 2024 California Wildfire Fund Budget.**

Mr. Hanzel reviewed the proposed 2024 CWF budget.

Budget Process:

- The annual CWF budget process completed in the spring incorporates within the CEA budget process, with initial activities starting in the summer and extending into the fall, with ultimate approval from the CEA Governing Board in December. It is a bottom-up budget going through each department, line item by line item, identifying the costs of the CEA and concurrently building out the CWF budget, including direct and indirect expenses.
  - The larger direct expenses include consulting and legal services as well as financial services consulting and bank fees.
  - Indirect expenses include allocations of CEA staff time spent working on the CWF. This is continually monitored.
  - Other indirect expenses include overhead, rent, and IT costs that are allocated to the CWF.
- The financials are closed monthly and CEA staff analyze actions taken versus budget projections and document variances. Any material variances are dealt with in a mid-year budget revision to be approved by the CCRC.
- This year's budget includes an estimated increase in expenses, as there has been an early indication that there may be claims to process this year. The CEA Claims team, third-party consultants, and legal teams will help CEA staff understand and review those claims.

2024 Proposed Budget vs 2023 Actual Activity as of December 31, 2023:

Net additions to Fund Assets expected in 2024 total approximately $1.5 billion:

- Approximately $890 million of rate payer NBCs has been budgeted for 2024, based on projections and expectations from the DWR.
- $300 million in annual IOU contributions will be received towards the end of the year.
- Approximately $300 million of investment income (net of expenses) has been budgeted for 2024.

Deductions to Fund Assets total approximately $10 million (excluding paid claims for the Dixie Fire) in 2024:

- $350 million in wildfire paid claims has been estimated for 2024. Based on PG&E reporting, the CEA reserved a total balance of $600 million in 2023 related to the Dixie Fire.
- $5.37 million for DWR expenses has been budgeted for 2024.
- Just under $500,000 in personnel expenses has been budgeted for 2024.

- The largest of the General and Administrative Expenses are approximately $2.5 million for Other Contracted Services, which is up from approximately $800,000 over last year, and $150,000 in Direct Legal Services, which is up from approximately $2,000 last year, driven by the expectation of working with consultants to work through the Dixie Fire claims.
- All other expenses are reasonably close to prior years. A small increase in G&A Expenses Allocated from the CEA has been included because more staff time results in a larger allocation of overhead, rent, and IT costs.
- Approximately $4.3 million is expected between personnel and G&A expenses, versus $2.2 million last year. The $2.1 million net increase is driven by the processing of potential claims coming from the Dixie Fire.

DWR Administrative and Operating Expense Breakdown:

- The DWR Labor line item increased approximately $700,000 year-over-year. The expectation is that it will not be that high but will be closer to the 2023 amount plus inflationary pressure. It is budgeted higher, given the DWR and state budget processes to put aside more funds should DWR be called upon to issue debt for the benefit of the Fund. These expenses would arise from work by Bond Counsel, Disclosure Counsel, and Municipal Advisor services. Although Wildfire Fund debt is not expected to be issued this year, the DWR allocated funds in its budget for these potential expenses.
- The IOUs Costs line item is related to the ability for the IOUs to request reimbursement to manage the NBC collection and remittance program. The expectation from DWR is that they may see an increase in IOU reimbursement requests in 2024.

Staff Recommendations:

- Approve the proposed 2024 CWF budget as presented; and
- Direct staff to operate the CWF within the total approved budget amounts.

<u>Discussion</u>

Ms. Rossman asked where the DWR administrative expenses come from and why $500,000 is necessary for a municipal advisor when issuing debt is not planned. She suggested inviting the DWR to present their budget at the future CCRC meeting prior to the next budget approval.

Mr. Welsh suggested that the DWR be invited to present at the last CCRC meeting of this year. Ms. Rossman agreed. She offered to assist staff with what should be included in the DWR presentation.

Mr. Cash asked for verification that the IOUs only spent $1,681 in 2022. Mr. Hanzel noted that that was the amount asked for by DWR for reimbursement in 2022.

Mr. Cash stated systems work that is part of the IOUs costs should be low since it only involves logging in and changing how the IOUs charge.

Ms. Rossman agreed that systems work should not cost that much. Mr. Welsh stated staff will ask the IOUs for a summary on what goes into that expense reimbursement request that goes to the DWR and why there are large variances year-on-year. He stated this information will help staff predict further into the future.

Ms. Van Houten asked that those summaries be made available by the July CCRC meeting. Mr. Welsh stated staff will include that deadline in their request to the IOUs.

Ms. Rossman suggested including that the reason for the request was that the Council asked why it was so expensive.

Ms. Van Houten stated she questioned what was behind the DWR numbers and asked if the same line items have been presented every year and if the process of creating and reviewing the budget has reached a level of consistency that Council members are comfortable with.

Mr. Hanzel stated the line items remain the same and noted that CEA staff became comfortable after the initial years of setting up the CWF processes. He stated the DWR personnel costs were higher in the early years as NBC infrastructure was being set up. It is now more routine. With regard to CEA's internal budget process, staff continues to goes through the same rigor of reporting their Wildfire Fund hours weekly as part of building the budget. He stated staff is open to suggestions on how to present this report differently for clarity.

Chair Ghilarducci agreed that additional clarity is required on the DWR budget and what their thought process is in reporting their expenses.

Chair Ghilarducci asked for a motion to approve the proposed 2024 CWF budget.

MOTION: Ms. Van Houten moved to approve the staff recommendations. Ms. Rossman seconded. There was no public comment on the motion. The motion passed unanimously by roll call vote.

7. Claims Administration Update: CEA Chief Insurance and Claims Officer George Sittner will provide an update on Claims Administration.

Mr. Sittner presented his report.

Wildfire Monitoring and Reporting:

- Not much has changed since the last meeting in terms of CWF exposure.
- The CEA Claims team has been monitoring the Kincade, Zogg, Dixie, and Mosquito Fires – the fires with ignition dates after the CWF was stood up. Staff also continues to monitor other wildfires from 2022, even though they were smaller than the Dixie Fire and have no exposure to the CWF.
- The exposure to the CWF from the Dixie Fire is approximately $600 million, based on the financial report submitted by PG&E. PG&E estimates losses in excess of $1.6 billion to settle claims as a result of the fire.
- There were no wildfire-related notifications in 2023 or, so far, in 2024.

Implementation of Wildfire Fund Claims Administration Procedures (Dixie Fire):

- The *Amended Wildfire Fund Claims Administration Procedures* include that an IOU must put the CEA on notice any time they believe that there is an exposure to them of over $750 million. Such a notice came late last year from PG&E.
- The CEA then switched from Phase 1 of the claim administration process (the claims review readiness stage) to Phase 2 (the delivery-on-demand claims review services stage). Sedgwick Claims Management Services, Inc. (Sedgwick) is the claims review services provider for the CWF to help the CEA review these claims and determine if the claims have been settled using “reasonable business judgment.”
- Claim data submittal began toward the end of last year and continues to date. The CEA provided PG&E with a 40-question “Personal Claim Template” so PG&E can provide the CEA with information on every claim individually. A statistical analysis will be done on claim settlement using all information gathered. Nothing is payable until the threshold amount of $1 billion, which is estimated to be reached during the second quarter of 2024. Funding is paid as claims come in. An estimated $50 million per month has been budgeted for six to seven months.

<u>Discussion</u>

Ms. Rossman asked about the process. Mr. Sittner stated CEA staff communicates with Sedgwick weekly and PG&E every other week, and Sedgwick and PG&E communicate frequently during the week. The CEA and PG&E are implementing a data validation process to ensure accuracy. Sedgwick will use executive or managing general adjusters.

Ms. Rossman asked if claims will be paid 100 cents on the dollar or at some discount. Mr. Sittner stated this is yet unknown. The goal is to pay 100 cents on the dollar, provided the claims were settled based on using “reasonable business judgment.”

Mr. Welsh added that subrogation claims will require additional scrutiny, according to statute, if they settle at more than 40 cents on the dollar from the insurance industry, which they typically will.

Chair Ghilarducci stated, if insurance covers some of the claims, then the insurance company would come to the CEA for that subrogation. He noted that each individual claim could be in the millions of dollars.

Mr. Sittner noted that insurance only covers physical damage. It does not cover loss of market value or injuries. There are tools and controls in place to ensure that there is no duplication or fraud.

Chair Ghilarducci asked if tribal governments or other entities impacted by a wildfire could make a claim regarding loss of property of cultural significance. Mr. Sittner stated he has not heard of those claims being brought forth but stated he would follow up with PG&E. Timber companies have filed claims due to losing hundreds of acres of timber. The statute of limitations has ended for injury; the statute of limitations for physical damage will end this July.

Chair Ghilarducci asked if an individual must be a citizen of the United States to file a claim. He stated the need for all claimants to be reimbursed equally. Mr. Sittner stated he will look into this and report back. Ms. Tatapudy added that individual claimants will not be reimbursed directly by the CWF. All claims will be first submitted to and paid by the IOUs, after which the IOUs seek reimbursement from the CWF.

Chair Ghilarducci noted that there is a review process to ensure that the CWF side of the claim is a legitimate payable claim, even though claims have already gone through the process on the utility side.

Ms. Tatapudy agreed and stated the CEA will perform a thorough audit function, consistent with the Council-approved *Claims Administration Procedures* to ensure that, after the utility settled the claim, CEA must be satisfied that the claims was resolved through the exercise of "reasonable business judgment," which is the statutory standard of review; this would include confirming that the claim is real and it is not a duplicate.

Ms. Rossman suggested reviewing the decision-making process that determines whether PG&E will later be required to reimburse the CWF for the claims paid.

Ms. Tatapudy stated there is a timing element for this. We are currently at the beginning stages of getting initial claims data to see whether and when PG&E will meet the threshold. Once the CWF begins reimbursing claims, the utility is required to file an application with the California Public Utilities Commission (CPUC) to commence a catastrophic wildfire proceeding. As part of that proceeding, the CPUC will decide whether the IOU acted prudently in how they handled the fire. That prudency determination will ultimately feed into whether the IOU needs to reimburse the CWF for any claims that were paid out. If it is determined that the utility acted prudently, they do not need to give anything back to the CWF. If imprudence is found, the utility must pay the CWF back up to a cap that is defined by formula in the statute. At that point, the administrator is also tasked with determining whether the IOU acted with disregard to the health and safety of the public, and, if they did, then the cap will not apply.

Chair Ghilarducci asked who makes that determination. Ms. Tatapudy stated the statute vests that with CEA as the Administrator, serving under the oversight of the Council.

Chair Ghilarducci stated this is why it is important that the CCRC gets updates on what the utilities are doing – to learn if the utilities have demonstrated an effort to mitigate the threat and done whatever they could to minimize damage, versus the woeful disregard for public safety of having power lines that are so old that they collapse, for example.

Chair Ghilarducci stated the Dixie Fire was one of the most unique in the state's history in that it started on the Western slope of the Sierras and literally went all the way over to the other side into Nevada and looped back around again. It was a catastrophic fire in many ways.

Chair Ghilarducci asked staff to make a flowchart for the Council on what Ms. Tatapudy just explained and shows what happens at the various levels. A flowchart is something the Council can refer to regularly moving forward.

Public Comment

There was no public comment.

8. **Enterprise Risk Management: CEA Enterprise Risk Manager Andrea Wheeler will deliver a quarterly report on the Enterprise Risk Management program for the Wildfire Fund.**

CEA Enterprise Risk Manager Andrea Wheeler presented her report.

Risk Assessment Scorecard:

- The quarterly status for each priority risk was unchanged from the November report to the Council. As tracking indicates, a majority of the CWF risk is mitigated with current controls that are in place.

Information Security:

- In November 2023, the CEA was notified by a third-party vendor that it was a victim of a ransomware attack that resulted in the loss of control over a significant amount of its customer data, including some CEA data. The CEA activated its cybersecurity response and commenced a prompt and thorough investigation to determine whether the incident resulted in the actual release of privacy-protected customer data.
- The investigation results indicated that no consumer personally identifiable information was accessed. While no CWF-related data was involved in the breach, the incident and quick response by CEA staff in collaboration with the cyber insurer increases confidence that strong controls are in place.

Mitigation:

- IOUs are required to submit Wildfire Mitigation Plans (WMPs) to the Office of Energy Infrastructure Safety assessing their level of wildfire risk and providing plans for wildfire risk reduction. The Office of Energy Infrastructure Safety released its evaluation and approval of PG&E 2023-25 WMP on December 29, 2023. All three IOUs now have approved WMPs for 2023-25.
- Additionally, each of the IOUs has received safety certifications as follows: San Diego Gas & Electric and Southern California Edison, issued December 7, 2023, and PG&E, issued January 22, 2024.

Discussion

Chair Ghilarducci stated he was glad to hear that the cybersecurity response procedures and protocols in place worked and that the relationship with the vendor is strong. This verifies why this is such an important topic area.

Ms. Wheeler stated the CEA Information Security (InfoSec) team is now under the management of Shawna Ackerman, Chief Risk and Actuarial Officer, which gives the InfoSec team a broader enterprise focus and reach to protect CEA and the CWF.

Mr. Morton thanked Ms. Wheeler for bringing up the internal movement of the InfoSec Team, because there have been discussions to ensure that that these security positions were elevated. He also stated it would be important for the Council to understand the WMPs, the process, what was approved, and if the IOU actually acted on their Plans.

Mr. Welsh agreed and stated the IOUs can discuss their WMPs when they present at a future CCRC meeting. The WMPs dovetail closely with the Infrastructure Safety Plans.

Public Comment

There was no public comment.

9. Public Comment: The Council will invite public comment on matters related to the Wildfire Fund that do not appear on this agenda, and to request that matters be placed on a future agenda.

There were no requests for public comment.

10. Adjournment.

Chair Ghilarducci thanked everyone and adjourned the meeting at 3:24 p.m.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 03: Vice Chair

Recommended Action: Selection of a Vice Chair

Chair Mark Ghilarducci will ask the Council to select a vice chair.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 04: Executive Report

Recommended Action: No action required – Information only

CEA Chief Executive Officer Tom Welsh will provide the Council with an executive report on the following key initiatives:

A. **CEA Operations and Leadership** – The CEA Governing Board announced at its recent June 25, 2024, meeting that Mr. Welsh was appointed to the permanent position as CEO effective immediately. This appointment followed a diligent national search conducted by the Board through a search subcommittee chaired by the Insurance Commissioner's Designee, Chief Deputy Insurance Commissioner Michael Martinez, who is also the Commissioner's Designee on this Council.

   In partnership with the CEA Governing Board and CEA stakeholders, Mr. Welsh remains focused on ensuring CEA's continuing operational excellence, financial strength, and catastrophe event readiness. This focus benefits both CEA stakeholders as well as the Council and beneficiaries of the Wildfire Fund. The development of a multi-year strategic plan for CEA is underway, with an emphasis on CEA's long-term sustainability to ensure its enduring capacity to act as Administrator of the Wildfire Fund.

B. **Enterprise Risk Management –** Chief Risk and Actuarial Officer Shawna Ackerman will provide the counsel with a report on CEA's Enterprise Risk Management program. Details of the report are set forth on Attachment 4.A.

C. **Claims Administration Update –** Chief Insurance and Claims Officer George Sittner will provide the Council with an update on claims administration and the status of work on PG&E's claims arising from the Dixie fire. Details of the report are set forth on Attachment 4.B.

Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 04.B: Enterprise Risk Management Program

Recommended Action: No action required – information only

Risk Reporting

The 2nd quarter 2024 scorecard is presented below and provides the status of each priority risk. The column named Residual Risk Score indicates the current risk status after controls have been applied.

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
Wildfire Modeling	Distorted or incorrect view of Wildfire Fund durability due to invalid, inaccurate, or outdated methods or assumptions in external or internal wildfire models	High	Strong	Medium
Workforce	Adverse impacts to the administration of the Wildfire Fund that occur due to a workforce issue or constraint at CEA	Medium	Strong	Low
Mitigation	Durability of the Wildfire Fund is dependent on successful mitigation activities which are outside the direct control of CEA as the Wildfire Fund Administrator but that must be monitored	Medium	Medium	Medium
Risk Transfer	Reasonably priced risk transfer products for wildfire cover are not available when needed	Medium	Strong	Low
Reputation	Public's loss of confidence in CEA as Administrator of the Wildfire Fund or loss of	Medium	Strong	Low

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
	confidence in the ability of the Wildfire Fund to meet its objectives			
Legislative/ Regulatory	Legislative, regulatory, or political actions that materially change the Wildfire Fund Administrator and/or Council's ability to fulfill its current obligations or mission	Medium	Strong	Low
Legal	Harm to the Wildfire Fund resulting from (a) disputes with third parties, (b) regulatory/legislative enforcement actions, and/or (c) compliance lapses	Medium	Strong	Low
Investments	Losses to the Wildfire Fund due to failure to adhere to established investment guidelines and/or performance objectives not achieved	Medium	Strong	Low
Information Security	Losses due to unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information and/or accessibility of IT systems	Medium	Strong	Low
Financial Reporting	Inaccurate financial accounting or reporting or inadequate controls that result in a material error in published financial statements	Medium	Strong	Low
Claims Management	Issues, conflicts, or delays arising from or associated with IOU claims management	Medium	Medium	Medium
Business Continuity	Loss of business systems causing limited or delayed continuity of the California Wildfire Fund essential business functions	Medium	Medium	Medium

Mitigation

The Office of Energy Infrastructure Safety (Energy Safety) is required to audit the vegetation management work performed by, or on behalf of, electrical corporations. The audits must specify any failure of the electrical corporation to fully comply with the vegetation management requirements in the Wildfire Mitigation Plan (WMP). Energy Safety then provides the audit to the electrical corporation and grants it a reasonable time to correct and eliminate any deficiency specified in the audit. Following receipt and review of the electrical corporation's Corrective Action Plan, Energy Safety issues an audit report to the electrical corporation identifying whether the electrical corporation substantially complied with the substantial portion of the vegetation management requirements in the applicable year. As of the date of this memorandum, Energy Safety has released final audit reports for all three electrical corporations that participate in the Wildfire Fund finding that all three substantially comply with the substantial portion of the vegetation management requirements in their respective 2021 Wildfire Mitigation Plan Updates.

Energy Safety is also required to conduct an annual assessment of electrical corporations' implementation of their approved WMPs and WMP Updates. As of the date of this memorandum, Energy Safety has conducted annual assessments of two of the three electrical corporations that participate in the Wildfire Fund, finding that both San Diego Gas and Electric Corporation, and Southern California Edison undertook significant efforts to reduce their wildfire risk, and in many instances, have achieved their objectives and targets. On balance, both electrical corporations were largely successful in executing actionable and adaptive plans for wildfire risk mitigation. There are, however, still areas for improvement and continued learning. [1, 2]

Risk and Compliance Committee

The Risk and Compliance Committee completed its annual review for the period April 30, 2023, through May 1, 2024. In furtherance of the Committee's core mission of enhancing the culture of compliance within CEA, the Committee successfully undertook the following activities:

1. Assisted Policy Owners with creating new policies and policy updates.
2. Continued quarterly reports to managers and supervisors regarding their staff that have outstanding policy assignments.

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[1] More information on SDG&E's Annual Compliance Report and 2021 WMP can be found at https://energysafety.ca.gov/news/2024/03/19/energy-safety-issues-annual-report-on-compliance-for-sdges-approved-2021-wildfire-mitigation-plan-update/.
[2] More information on SCE's Annual Compliance Report and 2021 WMP can be found at https://energysafety.ca.gov/news/2024/04/03/energy-safety-issues-annual-report-on-compliance-for-sces-approved-2021-wildfire-mitigation-plan-update/.

3. Sent quarterly reports to Policy Owners for policies that are due for updates.
4. Persisted to improve Enterprise Risk Management awareness for all staff by assisting the HR department in training, the onboarding process, and Internal Communications.
5. Internal Audit program efforts continued with procuring a vendor who will provide guidance on developing a formal Internal Audit program.
6. Establish a process for Audit finding follow-up.
7. Completed the CDI audit first quarter of 2024 with no findings.

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 04.C: Claims Administration Update

Recommended Action: No action required – Information only.

Background

The California Catastrophe Response Council (Council) adopted amendments to the *Wildfire Fund Claims Administration Procedures* (*Procedures*) on May 4, 2023. It also authorized the Administrator to make periodic non-discretionary, conforming changes to the *Procedures* as necessary to ensure that the *Procedures* conform to any statutory amendments that may be enacted in the future. The Administrator entered into an agreement with Sedgwick Claims Management Services, Inc. (Sedgwick) effective as of January 24, 2022, to provide claims review services for the Wildfire Fund.

These actions are in keeping with Public Utilities Code section 3284(g), which requires that the Administrator prepare and seek Council approval for written procedures for the review, approval, and timely funding of eligible claims. The Council's adoption of the *Procedures* is also in keeping with the Articles of Governance, in which the Administrator is authorized to operate the Wildfire Fund within the framework established by law and in accordance with the *Procedures* approved by the Council.

Wildfire Monitoring and Notification

The Administrator continues to monitor and report to the Council on active wildfires as well as the status of potentially Covered Wildfires in the 2019 through 2024 coverage years. In particular, the Administrator is tracking the reported losses for four major fires—the October 2019 Kincade Fire, September 2020 Zogg Fire, July 2021 Dixie Fire, and September 2022 Mosquito Fire. PG&E's 10-Q report to the SEC for the quarterly period ending June 30. 2024, reports aggregate liabilities of $1.125 billion, $400 million, $1.6 billion and $100 million for the 2019 Kincade Fire, 2020 Zogg Fire, 2021 Dixie Fire and 2022 Mosquito Fire, respectively. Of these, PG&E has recorded a potential recovery of $600 million from the Fund for the 2021 Dixie Fire. There are no known fires that would impact the fund for calendar year 2023.

Although Participating Utilities are eligible to make claims against the Fund for wildfire-related losses exceeding $1 billion in any coverage year, PG&E reported that it has not recorded a potential recovery from the Fund for the 2019 Kincade Fire. It also noted that the 2019 Kincade Fire is subject to a 40% limitation on the allowed number of claims arising before emergence from bankruptcy.

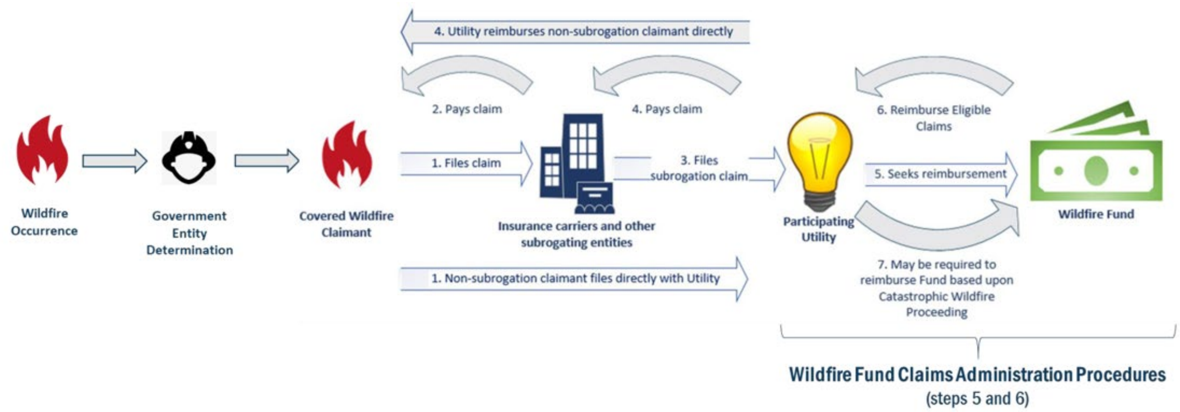
2021 Dixie Fire: Activation of Phase 2, "Claims Review Mode"

At the November 2, 2023 Council Meeting, the Administrator reported that on September 15, 2023, the Administrator received written notice from PG&E, as required by the *Procedures*, that PG&E anticipates that claim settlements will exceed a total of more than $750,000,000 in the aggregate for third-party claims resulting from the 2021 Dixie Fire. PG&E submitted initial claims data in connection with the 2021 Dixie Fire to Sedgwick on October 10, 2023. In accordance with the *Procedures,* the Administrator authorized Sedgwick to commence its review of those claims under Phase 2 of Sedgwick's contract, which is "Claims Review" mode, as PG&E continued to provide claims data and documentation. Sedgwick performed testing and data validation through May of 2024.

Dixie Fire Threshold and Eligible Claims Administration Process

PG&E has been working with Sedgwick to provide detailed claims data and claims documentation through a multi-variable claims data template and a secure data portal for Subrogation Claims, the Direct Payment for Community Recovery process, public entities, timber companies, and individual claims. The data and documentation provided by PG&E has been validated and deemed adequate to begin the process of reviewing claims that fall under the Threshold Amount.

PG&E continues to settle outstanding claims and has reached the "Threshold Claim" Amount, which is $1 billion or more, in the aggregate for a coverage year. The Threshold Amount was reached in mid-June 2024. The steps below are being followed as dictated by the *Procedures,* where Sedgwick is reviewing claim data and documentation as provided by PG&E. Sedgwick will continue this process throughout the Threshold Amount and Eligible claim review process as PG&E continues to settle claims, with potential movement to Step 6 below by end of September 2024.



Next Steps

Staff from CEA will report on the status of work by the claims review services provider, wildfire monitoring, investor-owned utility's progress on wildfire mitigation, and the execution of other elements of the *Procedures* during this Council meeting.

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 05:	Plan of Operations (Fifth Annual Report)
Recommended Action:	Review and approve the Fifth Annual Report, and authorize the Administrator to deliver the Fifth Annual Report to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy.

California Public Utilities Code §3283:

> *The council shall direct the administrator to prepare and present for approval a plan of operations related to the operations, management, and administration of the fund on an annual basis. At least annually, the council shall direct the administrator to present the plan of operations to the appropriate policy committees of the Legislature. The plan shall include, but not be limited to, reporting on the Wildfire Fund assets, projections for the durability of the fund, the success of the fund, whether or not the fund is serving its purpose, and a plan for winding up the fund if projections demonstrate that the fund will be exhausted within the next three years.*

Pursuant to section 3283, the Administrator has prepared Fifth Annual Report and submits it to the Council for review and approval. Consistent with relevant statute, the Fifth Annual Report includes information related to Wildfire Fund assets, projections for the durability of the Wildfire Fund, the success of the Wildfire Fund, and whether or not the Wildfire Fund is serving its purpose. The Fifth Annual Report does not include a plan for winding up the Fund because current projections do not show that the Fund will be exhausted within the next three years. The information in the Fifth Annual Report covers the one-year period of July 12, 2023 through July 11, 2024.

On June 17, 2024, Administrator staff circulated a draft of the Fifth Annual Report to council members, a copy of which is attached to this memorandum. If approved by the Council, Administrator staff will re-format and transform the draft report into a final report, and submit to the appropriate committees in the Legislature, as specified in California Public Utilities Code section 3283.

WILDFIRE FUND ADMINISTRATOR

ANNUAL REPORT TO THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL AND THE LEGISLATURE ON WILDFIRE FUND OPERATIONS

Report Period: July 12, 2023 – July 11, 2024
(Pursuant to Public Utilities Code section 3283)

Date of Report: August 12, 2024

Pursuant to Public Utilities Code section 3283, this Annual Report on Wildfire Fund Operations ("Annual Report") was prepared by the Wildfire Fund Administrator ("Administrator") and is presented to the Legislature at the direction of the California Catastrophe Response Council ("Council").[1] In accordance with that statute, this Annual Report includes information on Wildfire Fund ("Fund") assets, projections for the durability of the Fund, the success of the Fund, and whether or not the Fund is serving its purpose.

The information in this Annual Report covers the one-year period of July 12, 2023, through July 11, 2024.

[1] The Annual Report satisfies the Council and Administrator's statutory duty to annually report to the Legislature on the Wildfire Fund's "Plan of Operations" as specified in Public Utilities Code section 3283.

Executive Summary

On July 12, 2019, Governor Gavin Newsom signed AB 1054 and AB 111 (collectively, the "2019 Wildfire Legislation").[2] The 2019 Wildfire Legislation enacts a broad set of reforms and programs related to utility-caused wildfires in California, including establishing the Fund.

The purpose of the Fund is to provide a source of money to reimburse eligible claims arising from a covered wildfire caused by a utility company that participates in the Fund by assisting in capitalizing the Fund, and undertaking certain other obligations specified in the law.

Oversight of the administration of the Fund is the responsibility of the California Catastrophe Response Council ("Council"), created under AB 111. The Council has nine members, consisting of the Governor, the Insurance Commissioner, the Treasurer, and the Secretary for Natural Resources, each of whom may appoint designees to attend Council meetings in their place, as well as one member appointed by the Senate Committee on Rules, one member appointed by the Speaker of the Assembly, and three members of the public appointed by the Governor.

I. Fund Assets

The 2019 Wildfire Legislation created a capitalization structure that establishes multiple revenue streams flowing into the Fund to provide approximately $21 billion in claim-paying capacity to cover eligible claims arising from covered wildfires. The capitalization of the Fund's $21 billion in claim-paying capacity is split between contributions from the Fund's participating utility companies – San Diego Gas & Electric Company ("SDG&E"), Southern California Edison ("SCE"), and Pacific Gas & Electric Company ("PG&E") (collectively, the "IOUs") – and surcharges on the IOUs' non-exempt ratepayers, which surcharges are also referred to as Wildfire Non-bypassable Charges ("NBCs"). The contributions from the IOUs are not passed through to their ratepayers, so are effectively funded by the stockholders of those publicly traded IOUs.

The 2019 Wildfire Legislation also required that the Fund be initially capitalized in the form of a short-term $2 billion loan from the State of California's Surplus Money Investment Fund ("SMIF"), a fund within the State's Pooled Money Investment Account. The SMIF Loan was fully paid off on April 25, 2023.

As of June 13, 2024, SDG&E, SCE, and PG&E have all provided their initial, 2019, 2020, 2021, 2022, and 2023 annual financial contributions. The IOU contributions total $9 billion. In addition, California Public Utilities Commission ("CPUC") Decision 19-10-056 operationalized

[2] Since its enactment, the 2019 Wildfire Legislation has been subsequently amended through legislation. Amendments impacting the Wildfire Fund and/or the California Catastrophe Response Council were contained in AB 1513 (Holden, Chapter 396, Statutes of 2019), in SB 350 (Hill, Chapter 27, Statutes of 2020), in AB 913 (Calderon, Chapter 253, Statutes of 2020), and in AB 242 (Holden, Chapter 228, Statutes of 2021).

the collection of the NBCs. The Fund began receiving NBC funds in January 2021. The IOU contributions combined with the NBC funds received as of June 13, 2024, total $12,253,324,105. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue debt backed by the NBCs. Additional detail regarding the Fund's contributions as of June 13, 2024, and audited financials as of December 31, 2023, can be found in *Section I: Fund Assets*.

II. Projections for the Durability of the Fund

Durability is a probability measure expressing the likelihood that the Fund will have sufficient funds to pay eligible claims each year, over a number of years. The Administrator relies on catastrophe-loss model output from the Verisk Worldwide Touchstone 8 model as a starting point for measuring the distribution of eligible claims to the Fund. The California Earthquake Authority ("CEA"), as Administrator, previously engaged both Filsinger Energy Partners ("Filsinger") and Guy Carpenter & Company ("Guy Carpenter"), a global reinsurance broker, and continues to rely on that work to aid CEA in monitoring Fund durability and exposure to losses. Additional detail regarding the test scenarios and durability analysis can be found in *Section II: Projections for the Durability of the Fund*.

III. The Success of the Fund

Assessing the success of the Fund during its fifth full year in existence requires examination of (1) the administrative actions taken by the Administrator, under the oversight of the Council, during this reporting period; (2) a brief summary of the Council's public meetings during this reporting period; and (3) whether the Fund had sufficient claim-paying capacity to cover any incurred or anticipated eligible claims from the 2023 wildfire season.

(1) <u>Administrative Actions taken by the Administrator, under the oversight of the Council.</u>

During the report period, Administrator staff and the Council:

- Completed additional work with Sedgwick Claims Management Services ("Sedgwick"), the Administrator's claim review services provider to further test the operational approach for claims review services, and build out the operational procedures and personnel training for future testing of the operational approach.
- Continued to monitor active wildfires as well as the status of potentially covered wildfires in the 2019 – 2023 coverage years.
- Completed the Council's fourth annual review of the Administrator's performance.

More detail on these milestones can be found in the full Report, *Section III: The Success of the Fund*.

(2) Meetings of the Council. The Council was successfully activated in October 2019, and currently has a full roster of active members. The Council met three times during the report period: August 3, 2023; November 2, 2023; and February 29, 2024. The Council is scheduled to meet on August 12, 2024, and November 14, 2024. Details of these future meetings, will be included in the next Annual Report. All publicly noticed meeting agendas and materials, along with past meeting materials, are available at this website: www.cawildfirefund.com.

(3) Claims Summary. During the report period, the Administrator received written notice from PG&E, as required by the *Wildfire Fund Claims Administration Procedures ("Procedures")*, that PG&E anticipates that claim settlements will exceed a total of more than $750 million in the aggregate for third-party claims resulting from the 2021 Dixie Fire. In accordance with the *Procedures*, the Administrator authorized Sedgwick to commence its review of those claims, and Sedgwick, at the direction of the Administrator, is actively reviewing claims submissions from PG&E. As of the date of this report, the Administrator has not yet reimbursed PG&E, or any other IOU, for eligible claims arising from a covered wildfire.

IV. Whether or not the Fund is Serving its Purpose

During its fifth year of existence, the Fund furthered its statutorily-defined goals to benefit ratepayers by its impact on IOU credit ratings, the continued participation of all IOUs in the Fund, and the Administrator's experience with the 2023 wildfire season and associated impacts on the Fund.

- IOU Credit Ratings. The 2019 Wildfire Legislation is viewed by the rating agencies as generally supportive of the IOUs' credit quality.

- Continued Participation of the three large IOUs in the Fund. All IOUs made their initial capital contributions to the Fund, and each of the IOUs have remitted their respective allocations of the required $300 million aggregate annual contributions for 2019 – 2023. As we enter the 2024 wildfire season, the Fund is available to respond to covered wildfires caused by any of the IOUs. The existence and availability of the Fund as a source for paying eligible claims that may occur as a result of a catastrophic wildfire season has allowed the IOUs to continue to invest in mitigation. In addition, the financial benefits of the Fund have incentivized the IOUs to pursue and obtain their 2023 safety certifications.

- Operational Readiness. The work the Administrator and Council have performed over the past five years to operationalize the Fund puts the Administrator in a ready position to discharge all statutory duties related to paying eligible claims for covered wildfires that have occurred or may occur in future wildfire seasons.

WILDFIRE FUND ADMINISTRATOR

ANNUAL REPORT TO THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL AND THE LEGISLATURE ON WILDFIRE FUND OPERATIONS

REPORT PERIOD: JULY 12, 2023 – July 11, 2024
(Pursuant to Public Utilities Code section 3283)

Date of Report: August 12, 2024

I. Fund Assets

Public Utilities Code section 3280 defines "Wildfire Fund assets" as "the sum of all moneys and invested assets held in the fund which shall include, without limitation, any loans or other investments made by the state to the fund, all interest or other income from the investment of money held in the fund, any other funds specifically designated for the fund by applicable law, and the proceeds of any special charge (or continuation of existing charge) allocated to and deposited into the fund, reinsurance, and the proceeds of any bonds issue for the benefit of the fund."

As the Administrator, the CEA is custodian of the Fund's cash and investments. This requires the CEA to report those held assets as a segregated custodial fund in CEA's financial statements. Detailed information relevant to the Fund can be found in CEA's 2023 audited financial statements, available on this webpage: https://www.earthquakeauthority.com/About-CEA/Financials/Financial-Statements. Following are excerpts of that financial information, which covers calendar year 2023, along with supplemental unaudited information related to the Fund's contributions received through June 13, 2024.

California Earthquake Authority

Fiduciary Fund
Statement of Fiduciary Net Position
Fiduciary Fund of California Wildfire Fund

December 31, 2023 and 2022

	Custodial Fund	
	2023	2022
Assets		
Cash and investments:		
Cash and cash equivalents	$ 357,485,746	$ 632,630,881
Investments	11,055,244,876	9,478,138,463
Securities receivable	26,875,400	26,972,364
Total assets	11,439,606,022	10,137,741,708
Liabilities - Securities payable	-	96,965,250
Net Position - Restricted	**$ 11,439,606,022**	**$ 10,040,776,458**

The 2019 Wildfire Legislation created a capitalization structure that ultimately will result in a total claim-paying capacity for the Fund of approximately $21 billion. As noted above, the approximately $21 billion in claim-paying capacity is generated from two revenue streams: surcharges on ratepayers of IOUs; and contributions from the equity base of the IOUs. The 2019 Wildfire Legislation also required that the Fund be initially capitalized in the form of a short term $2 billion loan from the State's Surplus Money Investment Fund ("SMIF"), a fund within the State's Pooled Money Investment Account.

The 2019 Wildfire Legislation authorizes the IOUs to remit NBCs collected from their non-exempt ratepayers to the Department of Water Resources ("DWR") to support the Fund. The 2019 Wildfire Legislation also authorized DWR to issue revenue bonds ("Wildfire Revenue Bonds") after the legacy Power Supply Revenue Bonds have been paid or defeased in full to support the Fund. The NBCs are imposed by the CPUC on approximately 11.5 million customers in the service areas of the participating IOUs.

The CPUC Decision 19-10-056 adopted the Rate Agreement between DWR and the CPUC, established an "irrevocable financing order" under the CPUC code, and calculated the annual revenue requirement of $902.4 million to be collected through NBCs that shall remain in effect until January 1, 2036. NBCs will be used to secure Wildfire Revenue Bonds; NBCs in excess of those required to pay the Wildfire Revenue Bonds, replenish any bond-related reserves, and pay DWR administrative and operating expenses will be deposited in the Fund. Once deposited in the Fund, NBCs are no longer available to pay debt service on the Wildfire Revenue Bonds. The NBCs build upon the long and successful history of the collection of similar bond charges under the DWR Power Supply Revenue Bond Program through several economic cycles and two PG&E bankruptcies dating back to 2002.

Administrator staff continues to work with DWR and the State Treasurer's Office to evaluate the need for a bond issuance by DWR as a conduit, backed by a pledge of the NBCs as described above. There were no bonds issued or outstanding during the report period.

As the table on the following page shows, as of June 13, 2024, the Fund has received $14,253,324,105 in capitalization. This capitalization figure includes the $2 billion SMIF loan that was received by the fund in August 2019, and repaid in full in April 2023. The SMIF loan funds are therefore no longer available to pay eligible claims. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue revenue bonds through the DWR, secured by future NBC revenues.

California Wildfire Fund
Contributions & NBCs Received
As of June 13, 2024

	Description	Date Received	Amount
1.	SMIF Loan Proceeds	8/15/2019	$ 2,000,000,000
2.	SDG&E initial capital contribution	9/9/2019	322,500,000
3.	SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
4.	SDG&E 2019 annual contribution	12/19/2019	12,900,000
5.	SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
6.	PG&E initial capital contribution	7/1/2020	4,815,000,000
7.	PG&E 2019 annual contribution	7/1/2020	192,600,000
8.	IOUs 2020 annual contributions	December-20	300,000,000
9.	IOUs 2021 annual contributions	December-21	300,000,000
10.	IOUs 2022 annual contributions	December-22	300,000,000
11.	IOUs 2023 annual contributions	December-23	300,000,000
		Total SMIF Loan Proceeds & IOU Contributions	11,000,000,000
1.	2021 NBC funds received	12-months of 2021	875,076,565
2.	2022 NBC funds received	12-months of 2022	1,116,593,213
3.	2023 NBC funds received	12-months of 2023	888,460,572
4.	January 2024 NBC funds	Jan'24 weekly ACHs	80,814,233
5.	February 2024 NBC funds	Feb'24 weekly ACHs	60,106,717
6.	March 2024 NBC funds	March'24 weekly ACHs	64,597,509
7.	April 2024 NBC funds	April'24 weekly ACHs	63,268,813
8.	May 2024 NBC funds	May'24 weekly ACHs	76,433,521
9.	June 2024 NBC funds	June'24 weekly ACHs	27,972,962
		Total NBCs	3,253,324,105
		Total Funds Received	$ 14,253,324,105

Note 1:
NBC funds received by the CWF are net of DWR administrative and operating expenses.

The 2019 Wildfire Legislation also requires that all costs and expenses related to the administration and operation of the Fund be paid from the assets of the Fund. Because CEA is now obligated to administer two separate and segregated funds – the Earthquake Authority

Fund and the Wildfire Fund – and is using its operating assets and employees for the benefit of both funds, the CEA continues to use a cost-allocation methodology to ensure that each of those funds bears its own administration expenses. This cost allocation methodology is reviewed periodically for accuracy by CEA staff and is within the scope of CEA's annual independent audit. The independent auditor did not raise any issues or concerns about the effectiveness of this cost-allocation methodology during the period covered by this report. In addition, Administrator staff periodically presents the cost-allocation methodology to the Council, including, but not limited to, as part of the Administrator's annual budget process, and the Council has reviewed and not raised any issues or concerns about the cost-allocation methodology.

II. Projections for the Durability of the Fund

This section provides the annual report on the Fund's projected durability. The Council and Administrator are specifically required to report at least annually to the Legislature on the projected durability of the Fund. If new claims are submitted to the Fund or existing claims develop adversely such that the projected durability of the Fund changes, the Council and Administrator will note the developments in a subsequent report.

The stated legislative intent and language of the 2019 Wildfire Legislation requires that the Fund be administered to maximize the durability of the Fund so that it provides protection and claim-paying resources to the IOUs while they continue to invest in safety measures designed to reduce the frequency and severity of utility-caused wildfires. For example, Public Utilities Code section 3281(e) authorizes the Administrator, subject to the oversight of the Council, to "buy insurance or take other actions to *maximize the claims paying resources of the fund*."

"Durability" Defined. Durability is a probability measure expressing the likelihood that the Fund will have sufficient funds to pay eligible claims each year, over a number of years. For example, if the projected Fund durability is 90% for 2035, that would mean there would be a 90% probability that the Fund will have endured to 2035, while paying eligible claims as and when they arise. Conversely, there would be a 10% chance that the Fund would not have had sufficient funds to pay all eligible claims arising during that time period. Durability is a cumulative measure and is expected to decline over any specific number of years as money is periodically drawn from the Fund to pay eligible claims.

Dependencies / Key Factors Influencing Durability. At its simplest, durability depends on the amount of losses flowing to the Fund and the amount of money the Fund has, or will have, to pay eligible losses. Larger more frequent losses, which exceed the annual aggregate IOU retention of $1 billion, potentially exhaust the Fund more quickly. The larger the amount of available Fund sources to pay losses (initial capital, investment income, IOU annual contributions, risk transfer, if any, and available ratepayer funds), the longer the Fund will remain in a position to pay losses. Of these funding sources, risk transfer is the only one that is flexible and has the potential to significantly enhance the durability of the Fund by adding to the claim-paying capacity of the Fund. However, it will only enhance durability if the expected benefit exceeds the cost of obtaining the risk transfer. The annual aggregate IOU retention can also increase the durability of the Fund because raising the retention reduces Fund losses. As described below, during the report period, the Administrator did not purchase risk transfer or change the annual aggregate $1 billion IOU retention. Investment income and the timing of the receipt of the ratepayer funds can also influence durability inasmuch as higher investment returns and timely receipt of the NBCs increases available funds.

The key factors influencing durability are:

- the dollar amount of wildfire losses,
- a determination of prudency,
- the subrogation settlement rate,
- successful mitigation measures,
- climate change,
- exposure growth, which is the increase in the value of the property at risk for wildfire damage,
- the annual aggregate individual IOU loss retention, which is currently $1 billion, and
- funding.

Estimating Fund Losses – Catastrophe-Loss Models. Using catastrophe-loss models to assess the loss potential from hurricanes and earthquakes has been commonplace in the insurance industry for underwriting risk and understanding loss potential since the early 1990s. Catastrophe-loss models are also used for assessing risk at the local, state, and national level and for emergency planning scenarios. In comparison, catastrophe-loss models for wildfire risk are newer, have not been as widely tested in the market, and have significant differences in the approaches used and the modeled results from one model to the next. Nevertheless, the models can be useful in developing a range of potential wildfire losses. The Administrator relies on catastrophe-loss model output from the Verisk Touchstone 8 model as a starting point for measuring the potential distribution of eligible claims to the Fund. The Administrator also considers existing claims and historical losses potentially attributable to IOUs and payable by the Fund in assessing durability.

Modeling wildfire risk is a complex process. The Verisk Touchstone 8 model considers such factors as ignition, weather and fuels, topography, wind, land use and land cover, wildland-urban interface, and building and construction materials. The output from Touchstone 8 includes individual event scenario losses that can be accumulated and ranked to form a distribution of loss by size of loss. Losses from the Verisk Touchstone 8 model are built on an industry exposure database representing insurable California property valued at 2020, making two adjustments necessary. The first adjustment is to increase the modeled losses by 36% to reflect increases in construction costs from 2020 through 2023.[3] The second adjustment is to increase the modeled losses by 50% to approximate total losses (not just insurable property losses). Additionally, the Verisk model does not consider who is responsible for causing a wildfire. Therefore, modeled losses are attributed to the IOU as part of the financial modeling, which is described below.

[3] Data from the California Department of General Services indicates construction costs for California rose 13.4% in 2021, 9.3% in 2022 and 9.4% in 2023. DGS California Construction Cost Index CCCI (last checked 6/11/2024.)

There are multiple sources of uncertainty in assessing the amount and frequency of eligible claims flowing to the Fund. It must be recognized that actual losses to the Fund will vary, perhaps significantly, from the estimated adjusted modeled losses.

Financial Models. Because the Fund is a complex mechanism dependent on largely uncertain events, a typical best case, worst case, expected case type of pro-forma analysis is not sufficient to understand the potential range of outcomes. Using the catastrophe loss models and the Fund's financial status as the starting point, a stochastic financial model is built to project the Fund's durability probability for the current period. The financial model used by the Administrator is similar to those developed when the Fund's structure and mechanics were established. Specifically, the Governor's Office engaged a team of experts, including Filsinger and Guy Carpenter, to develop financial models of the Fund to assess durability during the development of the 2019 Wildfire Legislation. CEA, as Administrator, previously engaged both Filsinger and Guy Carpenter and worked with them to make further refinements to the models to aid CEA in monitoring Fund durability.

As noted above, the catastrophe-loss model does not consider who or what is responsible for a wildfire. Modeled losses are attributed to a specific IOU using an attribution-rate methodology developed by Guy Carpenter. This is the same methodology used when the Fund was initially created. Guy Carpenter attributes the loss to each IOU in a two-step process. First, the modeled loss is assigned to a specific IOU based on the location of the ignition and the IOU service area. Second, the loss is attributed to the specific IOU based on size and the probability that the modeled loss was caused by an IOU. The probability is based on a review of available data from 2001 – 2019 of total fire ignitions.

The financial model uses the actual financial position of the Fund for the most recent year-end and includes a $600 million reserve based on the amount that PG&E has recorded as a Wildfire Fund receivable for the 2021 Dixie Fire.[4] The model considers all available Fund sources to pay eligible claims including future IOU and ratepayer contributions. As noted above, there are multiple sources of uncertainty in assessing the amount and frequency of eligible claims flowing to the Fund. Scenario testing provides an opportunity to measure the relative impact of key factors. A summary of three test scenarios and results are displayed in the table on the following page. A fourth scenario tests the impact of an additional $1 billion claim to the Fund as discussed below.

[4] The Administrator's practice is to reserve against eligible claims in the amount publicly disclosed by any IOU that has given notice to the Administrator that it will be asserting a claim to the Fund. In the case of PG&E's claim based on the 2021 Dixie Fire, the Administrator relied upon PG&E's 2023 Joint Annual Report to Shareholders (q4cdn.com) p. 157 (last checked 6/11/24). Please note, however, that the total amount of PG&E's eligible claims associated with the 2021 Dixie Fire may be significantly higher or lower, depending on events yet to occur (e.g., prudency determination).

	Scenario	Estimated Fund Durability for 2024[5]
1.	Base - 60% & 40% settlement rate - 10% mitigation credit -100% prudency	99.1% - 99.5%
2.	Mitigation/Climate Change - 40% settlement rate - Mitigation gains offset by climate change -100% prudency	99.3%
3.	High Settlement Rate - 70% settlement rate - 10% mitigation credit - 100% prudency	98.9%
4.	Base Adjusted - $1 billion loss incurred - 60% & 40% settlement rate - 10% mitigation credit -100% prudency	98.9% - 99.4%

Base – 1: The base scenario is the current view of risk considering subrogation settlement rates from 40% - 60%.[6] Because a higher settlement rate means more losses are paid from the Fund, the 60% settlement rate is associated with a

[5] The estimated one-year Fund durability for 2024 ranges from 98.9% - 99.5% across the first three scenarios. This can alternatively be stated as a range of 1-in-90 to 1-in-190 chance that the Fund will suffer losses in 2024 that will ultimately exhaust all sources of claim-paying capacity. This is lower from last year's assessment (1-in-150 to 1-in-310) due to reducing the available funds by a $600 million reserve for potential losses associated with prior years as well as the impact of inflation on exposure growth. Due to the length of time from when a wildfire occurs, if it is determined to have been caused by an IOU, the IOU has settled or adjudicated third-party claims that exceed the $1 billion annual aggregate retention and eligible claims ultimately flow to the Fund, the likelihood that all sources of claim-paying capacity will be exhausted in 2024 is 0%. In other words, on a paid basis, the Fund will most certainly have cash remaining at the end of 2024. However, on an incurred basis, there is a small probability that the losses that occurred to date or will occur in 2024 could ultimately exhaust the Fund. For the fourth scenario the one-year durability can similarly be stated as a range of a 1-in-95 to 1-in-165 chance.

[6] The term "subrogation settlement rate" refers to settlements between an IOU that caused a covered wildfire, and the insurance companies that initially paid insured losses from the fire, and later seek reimbursement of some or all of their aggregate claim payments from the IOU by way of "subrogation claims." Historically, the insurance companies and IOUs negotiate aggregated settlements for a percentage of the amounts paid out by the insurers.

slightly lower durability estimate in the current year. However, the difference is small because the probability associated with a modeled loss large enough to exhaust all sources of claim-paying capacity is remote. Over a longer projection period, a consistently higher settlement rate has a compounding negative effect on Fund durability. In the base scenario, modeled losses are adjusted for a 10% mitigation credit to reflect the Administrator's estimate of mitigation effects based on a review of the IOU mitigation plans and the estimates contained therein along with State and local mitigation activities. For all scenarios, prudency is assumed to be 100% throughout the projection period. This assumption is done for two specific reasons:

- First, there is no historical basis upon which to estimate the likelihood that a particular wildfire caused by an IOU would have been deemed to be imprudent. The concept of, and criteria for, imprudence is created by the 2019 Wildfire Legislation and depends on the CPUC's prudency review.

- Second, assuming 100% prudency presents a more conservative view of durability. If the CPUC's prudency review determines that the IOU was not prudent, the IOU must reimburse the Fund, subject to statutory limits, and there is less loss to the Fund. While this is not a desirable result – better that the IOUs act prudently – the effect is that the Fund has more resources and higher durability when prudency is low.

Mitigation/Climate Change – 2: This scenario is the same as Base – 1 with the mitigation credit removed. The intent of this scenario is not to imply that mitigation efforts have been, or will be, ineffective. Rather, it is intended to provide a means to compare the results of this scenario to the Base – 1 scenario and demonstrate the beneficial effects of mitigation on Fund durability. The results can be viewed as a scenario where beneficial mitigation effects are offset by adverse impacts of climate change. This scenario also assumes 100% prudency and likewise presents a more conservative view of durability. The results are shown using a 40% subrogation settlement rate.

High Settlement Rate – 3: This scenario is provided to further explore the effects of settlement rates on Fund durability. This scenario is the same as Base – 1 with the settlement rate set at 70%. A 70% settlement rate is associated with a slightly lower durability estimate in the current year. However, as noted above, the difference is negligible because the probability associated with a modeled loss large enough to exhaust all sources of claim-paying capacity is remote. Over a longer projection period, the higher settlement rate has a compounding negative effect on Fund durability.

Base Adjusted - 4: This scenario tests the impact on Fund durability assuming that eligible claims in the amount of $1 billion have been incurred but not reported. This amount is used to test the impact of potential eligible claims from prior years. As noted above, the Fund has recorded a $600 million reserve associated with potential losses from the 2021 Dixie Fire. In its March 31, 2024 10-Q report, PG&E has recorded a Wildfire Fund receivable of $600 million for the 2021 Dixie Fire based on estimated losses that represent the lower end of the range of reasonably estimable probable losses.[7]

Frequency of Review. The financial models are updated each year to reflect the most recent year-end financial status of the Fund including any claim activity, change in the risk transfer program or change in key assumptions such as growth and mitigation impacts. The financial models can also be used and updated throughout the year to measure the impact of anticipated or actual changes. Additionally, the models may be used throughout the year as a planning tool to test alternative strategies and what-if scenarios.

Enhancing Durability Using Risk Transfer. As noted above, risk transfer is a flexible source of claim-paying capacity that has the potential to enhance the durability of the Fund, depending on the structure and price. Consistent with prior years, Administrator staff determined that the market pricing and structure did not meet the goal of enhancing the Fund's durability and, therefore, did not engage the market for a risk transfer program for the 2024 wildfire season.

Enhancing Durability through the annual aggregate IOU retention. Public Utilities Code section 3293 requires that each of the IOUs "maintain reasonable insurance coverage." Section 3293 also requires the Administrator to periodically review the IOUs' insurance programs and make recommendations to each IOU "as to the appropriate amount of insurance coverage required," taking into account a list of enumerated risk factors and any other factors deemed appropriate by the Administrator.

As the IOU retention increases, Fund durability increases. The California Legislature expressed a general expectation that the Fund would remain durable for the 10-to-15-year period during which the IOUs would be making enhanced investments in infrastructure safety. Section 3293 can assist the Administrator in managing the durability of the Fund through upward adjustments to the minimum $1 billion retention amount.

[7] PG&E - March 31 ,2024 Form 10-Q see page 13, (last checked 6/13/2024). The report makes note that the accrued estimated losses do not include, among other things, state or federal fire suppression costs and damages related to federal land.

Based on the Administrator's review, coupled with the facts that there have been limited claims on the Fund and no material changes have emerged since July 2019, there is currently no indication that the retention amount needs to be raised. The current annual retention threshold of $1 billion is expected to be sufficient to maintain long-term durability consistent with the Legislature's intent – exceeding the targets of 75% and 65% for 10 and 15 years, respectively – unless the average annual eligible claim level exceeds $1.5 billion.

Plan for Winding up the Fund. Current projections do not demonstrate that the Fund will be exhausted within the next three years. Accordingly, this Annual Plan does not include a plan for winding up the Fund.

Comparison to Prior Year. The financial model used to assess Fund durability begins with the Verisk Touchstone 8 wildfire model which is unchanged from the prior review. Updates to the financial model include reflecting the most recent year-end financial status, advancing the starting point one year (from 2023 to 2024) and updating the exposure growth assumption from 25% to 36%, to reflect three years of growth in the underlying industry exposure database of insurable property losses. As noted above the Wildfire Fund has recorded a $600 million reserve associated with potential eligible claims to the Fund from the 2021 Dixie Fire.

IOU Measures of Durability. The Fund does not have a specified term and it will continue until the assets of the Fund are exhausted and the Fund is terminated, in which case, any remaining funds will be transferred to California's General Fund to be used for wildfire mitigation programs. Because the term is not specified, each of the IOUs has estimated and reports their own assessment of Fund durability in terms of years of coverage. This is necessary to amortize the Fund asset over the useful life of the Fund.

In estimating the life of the Fund, each IOU reviewed historical data from wildfires caused by electrical utility equipment and similar categories of assumptions as the Administrator (e.g., mitigation effectiveness, settlement rates, climate change.) They, too, note the high degree of uncertainty related to the estimates. In the first quarter of 2024, PG&E's annual assessment "resulted in the expected life of the Wildfire Fund increasing to 20 years after incorporating 2023 loss information into the dataset of events with no events triggering a claim against the Wildfire Fund."[8] Southern California Edison likewise increased their estimate from 15 to 20 years for similar stated reasons.[9] SDG&E maintained their estimated period of benefit at 15 years.[10]

[8] PG&E - March 31, 2024 Form 10Q see page 50 (last checked 6/13/2024).
[9] Edison International & SCE - March 31, 2024 Form 10-Q see page 31 (last checked 6/13/24).
[10] Sempra - 2023 Annual Report see page F-38.

III. The Success of the Fund

This Section III: (1) provides an overview of the administrative actions taken by the Administrator, under the oversight of the Council, during this reporting period; (2) provides a brief summary of the Council's public meetings during this reporting period; and (3) provides a summary of incurred claims.

Administrative Actions taken by the Administrator, under the Oversight of the Council

Claims Administration Procedures

Public Utilities Code section 3284(g) requires that the Administrator, with the approval of the Council, establish procedures for the review, approval and timely funding of eligible claims.

The Council adopted the *Wildfire Fund Claims Administration Procedures* ("*Procedures"*) on July 22, 2021, and authorized the Administrator to make periodic non-discretionary, conforming changes to the *Procedures* as necessary to ensure that the *Procedures* conform to any statutory amendments that may be enacted in the future. The Administrator entered into an agreement with Sedgwick Claims Management Services, Inc. ("Sedgwick") effective as of January 24, 2022, to provide claims review services for the Fund.

During the report period, Sedgwick completed a short-term scope of work which involved developing dummy data to further test the operational approach for claims review services, and building out the operational procedures and personnel training for future pre-testing of the operational approach.

Internal Protocols, Templates, and Tools for Wildfire Monitoring and Notification

The Administrator continues to monitor active wildfires and IOUs' reporting about the potential involvement of their equipment in causing wildfires, and report on these occurrences using pre-approved templates to notify council members. Protocols are now in place to monitor the websites of the CPUC and the IOUs so that the Administrator has prompt notice when an IOU has filed electrical incident reports on incidents with the CPUC, as required under Public Utilities Code section 315. The Administrator is particularly focused on enhancing the Council's timely access to current, substantive and detailed wildfire and claims information.

Annual Review of the Administrator's Performance

During the report period, the Council completed its fourth annual review of the Administrator. The purpose of this process is to ensure that the Administrator is conducting its activities in a manner consistent with the directions and desires of the Council. Council members were asked to evaluate the Administrator's ongoing performance of core competencies across five accountability areas and on an overall evaluation, with that feedback being submitted solely to the Administrator. Numerical scores from 1 (Does Not Meet Expectations) to 5 (Exceeds Expectations) were provided for each area by all members of the Council. Administrator staff has developed plans to respond to specific feedback as part of the on-going performance improvement effort.

Category	Averaged Council Member Performance Rating
Leadership and Culture	4.4
Financial Leadership	4.6
Council Relations	4.6
Claims Administration	4.2
Enterprise Risk Management	4.8
Overall Evaluation	4.4

<u>Overview of the Council's Public Meetings</u>

The Council met three times during the report period: August 3, 2023; November 2, 2023; and February 29, 2024.

During its August 2, 2023 meeting, the Council, among other matters, discussed and adopted the Fourth Annual Report and authorized the Administrator to deliver the Report to the Senate Committee on Energy, Utilities, and Communications and Assembly Committee on Utilities and Energy. The Council also reviewed and approved revisions to the template used for completion and filing of its annual statutory report required by Public Utilities Code section 3287, and approved mid-year budget revisions for work done by Sedgwick. Administrator staff also presented on various topics, including the Fund's financial report, a claims administration update, and an update on the Wildfire Fund Enterprise Risk Management Program.

During its November 2, 2023 meeting, the Council, among other matters, heard a presentation from Forest Schafer, the State Coordinator for the Governor's Wildfire and Forest Resilience Task Force, on statewide efforts to align the fire mitigation activities of federal, state, local, private, and tribal organizations. Administrator staff also presented on various topics, including the Fund's financial report, claims administration update, and an update on the Wildfire Fund Enterprise Risk Management Program.

During its February 29, 2024 meeting, the Council, among other matters, approved the proposed 2024 Fund budget and directed staff to operate Fund business operations within the total approved budget amounts. Administrator staff also made presentations on a variety of topics, including the plan for preparing the evaluation of CEA as the Administrator for 2023, the Fund's financial report, an update on claims administration, and the Wildfire Fund Enterprise Risk Management Program Framework.

The Council has elected to decrease the frequency of its meetings to three meetings per year, absent developments that make it necessary for the Council to meet more often. The Council is currently scheduled to meet on August 12, 2024, and November 14, 2024. Information about those meetings will be included in the next Annual Report.

Claims Summary

The Fund will reimburse IOUs for "eligible claims," as defined by the 2019 Wildfire Legislation. Eligible claims are those claims that are a result of a "covered wildfire," as that term is defined in the 2019 Wildfire Legislation, and are in excess of the IOUs annual threshold retention, which is currently set at $1 billion.

2021 Dixie Fire: Since it has been determined that PG&E's equipment caused the 2021 Dixie Fire, this fire is a "covered wildfire" and loss claims in excess of PG&E's $1 billion annual retention may be submitted to the Fund for review and reimbursement. While PG&E continues to settle outstanding claims, as of July 11, 2024, it has submitted claims documentation to meet the $1 billion annual retention amount (Threshold Claims). Sedgwick is currently reviewing the Threshold Claims, in accordance with the *Procedures*, to determine if those claims were settled using reasonable business judgment, a standard set by the 2019 Wildfire Legislation. Once the Threshold Claims determination has been met, Sedgwick will review claims documentation for claims in amounts in excess of the $1 billion threshold amount (eligible claims), and if the Administrator determines the eligible claims have been settled using reasonable business judgment, will reimburse PG&E for those claims.[11] PG&E's Form 10-Q for the quarterly period ending March 31, 2024 notes that it has recorded an aggregate liability of $1.6 billion in connection with the 2021 Dixie Fire. As noted above, the Fund has set a reserve of $600 million associated with potential eligible claims from the 2021 Dixie Fire.

[11] Once the Administrator has paid an IOU for eligible claims, the IOU must go through a catastrophic wildfire proceeding before the CPUC. If the CPUC finds that the IOU acted prudently, the IOU does not have to reimburse the Fund for eligible claims covered by the Fund. If the IOU is found imprudent, or partially imprudent, the IOU must reimburse the Fund for the portion of the eligible claims covered by the Fund to the extent of the IOU's imprudence, up to a statutorily defined liability cap. The liability cap does not apply if the IOU either did not have a valid safety certification at the time of the covered wildfire, or if the Administrator finds that the IOU acted with conscious or willful disregard of the rights and safety of others.

2019 Kincade Fire: While PG&E has not made a claim in connection with the 2019 Kincade Fire, since CAL FIRE has determined that PG&E was at fault, this fire would become a covered wildfire and loss claims in excess of PG&E's $1 billion annual retention could be submitted to the Fund if PG&E elects to make a claim.[12] PG&E's Form 10-Q for the quarterly period ending March 31, 2024, notes that it has recorded an aggregate liability of $1.125 billion in connection with the 2019 Kincade Fire

For both the 2021 Dixie Fire and the 2019 Kincade Fire, PG&E Corporation and the Utility state that "[t]hese liability amounts correspond to the lower end of the range of reasonably estimable probable losses…but do not include all categories of potential damages and losses."[13] For example, fire suppression costs are not included in the estimates. PG&E reported that the Cal Fire Investigation Report estimates over $650 million of costs suppressing the 2021 Dixie Fire.

[12] Because PG&E was the subject of an insolvency proceeding at the time of the ignition of the Kincade Fire and had not yet emerged from bankruptcy, the Fund will not pay more than 40 percent of the allowed amount of a claim arising from the Kincade Fire. *See* Cal. Pub. Utilities Code §3292(e).

[13] PG&E - March 31, 2024 Form 10-Q, see page 13; also see pages 66 – 72 for a discussion of the 2019 Kincade, 2020 Zogg, 2021 Dixie and 2022 Mosquito Fires.

IV. Whether or not the Fund Is Serving its Purpose

The 2019 Wildfire Legislation's stated goals for the Fund are to benefit California ratepayers by:

- Reducing costs to ratepayers in addressing utility-caused catastrophic wildfires.
- Limiting the electrical corporations' exposure to financial liability resulting from wildfires that were caused by the utility and/or its equipment.
- Increasing electrical corporations' access to capital to fund ongoing operations and to make new investments to promote safety, reliability, and California's clean energy mandates.
- Supporting electrical corporations' credit worthiness so they can attract capital for investments in safe, clean, and reliable power for California at a reasonable cost to ratepayers.

See AB 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019), Section 1.

To assess whether or not the Fund is serving its purpose, this Section IV examines the rating stability of the IOUs, the incentives AB 1054 creates for the IOUs to invest in mitigation, the continued participation of all three large IOUs in the Fund, and the Administrator's experience with the 2023 wildfire season and associated impacts on the Fund.

Rating Stability of the IOUs

Prior to the Fund, the IOUs experienced increased pressure and, in some cases, action by the rating agencies. While numerous factors are considered in determining a credit rating and outlook, both S&P Global and Fitch have specifically noted elements that are directly related to the Fund and indicative of its success in enhancing the credit quality of the IOUs. Several examples are noted below:

- In its April 2024 rating action commentary related to a PG&E rating, March 2024 rating commentary related to SDG&E, and its May 2024 rating commentary related to a SCE rating, Fitch reiterated AB 1054 as a credit-supportive piece of legislation supporting each of the IOUs' current ratings and Rating Outlooks.[14]

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[14] *Fitch Revises PG&E Corp.'s & Pacific Gas and Electric's Outlooks to Positive; Ratings Affirmed,* Fitch Ratings, April 12, 2024, available at https://www.fitchratings.com/research/corporate-finance/fitch-revises-pg-e-corp-s-pacific-gas-electric-outlooks-to-positive-ratings-affirmed-12-04-2024; *Fitch Rates San Diego Gas and Electric Company's First Mortgage Bonds 'A,'* Fitch Ratings, March 18, 2024, available at https://www.fitchratings.com/research/corporate-finance/fitch-rates-san-diego-gas-electric-company-first-mortgage-bonds-a-18-03-2024; *Fitch Rates SCE Trust VIII Preference Securities 'BBB-"* Fitch Ratings, May 7, 2024, available at https://www.fitchratings.com/research/corporate-finance/fitch-rates-sce-trust-viii-preference-securities-bbb-07-05-2024.

- In June 2021, S&P Global issued a FAQ update on their assumptions and analysis in which they specifically noted that "we view AB 1054 as generally supportive of the IOUs' credit quality."[15]

AB 1054 Creates Incentives for the IOUs to Invest in Mitigation

Increased investments in electric utility grid hardening, situational awareness, and, in the near-term, the use of public safety power shutoffs, may help to significantly reduce the risk of utility-caused catastrophic wildfires. AB 1054 requires $5 billion in the aggregate for utility wildfire safety investments with no return on equity for the utility. AB 1054 requires electrical corporations to file Wildfire Mitigation Plans with the CPUC. These Wildfire Mitigation Plans must cover at least a three-year period and describe a utility's plans to implement preventive strategies and programs to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including consideration of dynamic climate change risks. More information on PG&E, SCE, and SDG&E 2023 Wildfire Mitigation Plans and Related Documents is available at the California Office of Energy Infrastructure Safety ("OEIS") website: https://energysafety.ca.gov/what-we-do/electrical-infrastructure-safety/wildfire-mitigation-and-safety/wildfire-mitigation-plans/2023-wildfire-mitigation-plans/.

In addition, AB 1054 creates incentives by way of cost-recovery from the Fund, for IOUs to obtain and maintain safety certifications from OEIS. Safety certifications encourage an IOU to invest in safety and improve safety culture to limit wildfire risks and reduce costs. During the report period, PG&E, SCE, and SDG&E all received their 2023 safety certifications from OEIS. More information on these safety certificates is available at OEIS's website: https://energysafety.ca.gov/what-we-do/electrical-infrastructure-safety/wildfire-mitigation-and-safety/safety-certifications/.

The 2023 Wildfire Season

2023 was another active wildfire season, but did not include wildfires caused by an IOU that were of sufficient magnitude that they appear likely to give rise to claims against the Fund. Detailed information about the 2023 wildfire season is available at CAL FIRE'S website: https://www.fire.ca.gov/incidents/2023/. This observation that the 2023 wildfire season is not expected to give rise to claims on the Fund is not intended to preclude an IOU from submitting a claim. Should that occur, the Administrator will review any such claims in accordance with its *Procedures*.

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[15] Gabe Grosberg, David N Bodek, Paul J Dyson, *Credit FAQ: How Are California's Wildfire Risks Affecting Utility Credit Quality?*, S&P Global Ratings, June 3, 2021, available at https://www.spglobal.com/ratings/en/research/articles/210603-credit-faq-how-are-california-s-wildfire-risks-affecting-utility-credit-quality-11954953.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 06: Durability Analysis Requests

Recommended Action: No action required – information & discussion only.

Background

The 2019 legislation that created both the California Wildfire Fund (CWF) and this California Catastrophe Response Council (Council) expressly provides that the sole authorized use of CWF assets is to pay eligible claims and CEA administration expenses arising from utility-ignited wildfires occurring ***after*** July 12, 2019, the effective date of the legislation. Any liability for utility-caused wildfires ignited prior to that date remains the sole obligation of the participating investor-owned utility companies (IOUs). None of the three IOUs have recourse to CWF assets on account of claims arising from wildfires ignited prior to July 12, 2019.

During June and July, CEA's CEO Tom Welsh received several letters from various individuals and local elected officials requesting that CEA, as Administrator of the Fund, undertake a variety of alternate modeled durability analyses for the Fund on the assumption that the Fund would make up to $6 billion in distributions to the PG&E Fire Victims Trust (FVT), which was created under PG&E's 2020 bankruptcy plan of reorganization to compensate survivors of the 2015 to 2018 wildfires ignited by PG&E (including, among others, the 2017 North Bay Fires and the 2018 Camp Fire). Copies of the letters received to date are attached to this memorandum as Attachment A. The letters note that funding in the FVT is insufficient and unlikely to be able to pay the beneficiaries/claimants more than a 70% pro rata distribution on the full amount of their claims, leaving many survivors unable to fully rebuild their homes (structure and contents.)

At the outset, in its capacity as Administrator of the CWF, the CEA readily acknowledges the devastating impact that the pre-2019 PG&E-caused wildfires had on individuals and communities in the affected areas. The recovery process will continue for years to come.

Each letter recognizes that the CWF legislation limits the CWF to paying for utility-caused fires occurring after July 2019 and that payments for fires prior to that date are not eligible. Their request is a first step in understanding the potential impacts on CWF durability if legislative reforms were made to authorize distributions from CWF to PG&E's FVT.

The more detailed requests specify the modeling of following eight distribution scenarios and payment schedules, each totaling $6 billion in payments from the CWF:

1. A $3 billion payment in 2024 to the FVT, followed by three, $1 billion payments in the years 2025, 2026 and 2027;
2. Two $3 billion payments, one in 2024 and one in 2025;
3. Three $2 billion payments, one in 2024, one in 2025, and one in 2026;
4. One $6 billion-dollar payment in 2024;
5. Five $1.2 billion payments in 2024, 2025, 2026, 2027, 2028;
6. An initial $2.4 billion payment in 2024, followed by three $1.2 billion payments in 2025, 2026, and 2027;
7. Two $1-billion payments in 2024 and 2025, followed by five payments of $800 million in 2026 -2030;
8. Ten payments of $600 million per year in 2024 -2033.

The request also specifies an order of payment whereby current eligible claims (as defined in the 2019 Wildfire Fund Legislation) are paid first and each year where payment is made that amount is deducted from the scheduled payment in the scenario with that scheduled payment deferred to a subsequent year.

CEA also received one letter from a local supervisor representing the people and area affected by the 2019 Kincade Fire. As noted in the 2024 Annual Report (Agenda Item 5), the Kincade Fire is potentially a covered wildfire if PG&E submits loss claims in excess of their $1 billion annual retention for that year/fire season. As structured, the CWF does not make payments to individual survivors. It is unclear from the letter if the writer is, in addition to requesting additional durability analysis to account for payments from the CWF to the FVT, also proposing reforms in the payment structure of the CWF to allow direct access to the Fund by individual claimants for the 2019 Kincade Fire.

Analysis

The stated legislative intent and language of the 2019 Wildfire Legislation requires that the Fund be administered to maximize the durability of the Fund so that it provides protection and claim-paying resources to the Investor-Owned Utilities while they continue to invest in safety measures designed to reduce the frequency and severity of utility-caused fires. For example, Public Utilities Code section 3281(e) authorizes the Administrator, subject to the oversight of the Council to "buy insurance or take other actions to *maximize the claims paying resources of the Fund*." (Emphasis added.)

These requests that the Administrator incur expense to model currently unauthorized distributions of CWF assets presents an immediate conflict with the 2019 Wildfire Fund Legislation – expending Administrator time and CWF assets on durability analyses that are not representative of the legal structure and purpose of the CWF is not an activity that maximizes the durability of the Fund.

Additionally, removing $6 billion from the Fund most certainly reduces the Fund's durability, assuming that IOU prudency is assumed to be 100%.[1]

As noted in the Annual Report, the Administrator is currently reviewing claims for the 2021 Dixie Fire and has booked a $600 million reserve. The reported current year durability estimate considering 40% - 60% settlement rates is 99.1% – 99.5% (or 1-in-110 to 1-in-190.) An alternate scenario removed an additional $1 billion, again considering 40% - 60% settlement rates, and dropped the one-year durability estimate to 98.9% - 99.4% (1-in-95 to 1-in-165.)

Longer term durability estimates are encompassed in the Section 3293 analysis which was conducted to evaluate the appropriateness of the current annual threshold of $1 billion. That analysis concluded that maintaining the current annual retention is expected to be sufficient to maintain long-term durability consistent with the Legislature's intent - exceeding targets of 75% and 65% for 10 and 15 years, respectively – unless the average annual eligible claim level exceeds $1.5 billion. A six billion claim would put the Fund close to that annual average and possibly over depending on the outcome of known fires. Specifically, PG&E has stated that their current $1.6 billion estimate for the 2021 Dixie Fire

[1] Determining how IOU prudency would be considered in the context of an expanded CWF is not discussed in the distribution proposals.

is at the lower end of a reasonable range and does not consider fire suppression costs or damage to land and vegetation in national parks and national forests. They also note that CalFire reported over $650 million of costs had been incurred in suppressing the 2021 Dixie Fire. Additionally, PG&E has not made a claim to the CWF for the 2019 Kincade Fire although their reported estimated losses exceed $1 billion.

Additional Considerations

In establishing the legislation that created the CWF, an express concern was to address the credit rating downgrades which increased IOU borrowing costs that are ultimately borne by ratepayers. A few of the letters recognize the potential impact on the IOU credit ratings, expressing an intent to seek an advisory opinion from the credit rating agencies on how instituting the expanded distribution proposal would affect the IOU's credit ratings. In addition to a lower durability estimate, the credit rating agencies will presumably consider the increased regulatory risk and uncertainty.

Conclusion

This matter was placed on the Council's Agenda for this meeting for transparency and to facilitate a discussion among Council members and stakeholders, including the proponents of this expansion, as well as the IOUs and utility ratepayer advocates. Under the Articles of Governance for the Council, the policy issues that arise from these requests are the province of the Council, The Administrator's role is to administer the CWF in strict compliance with existing law. Because existing law prohibits these proposed distributions for pre-2019 wildfires, CEA believes that incurring the significant direct and indirect expenses to model and analyze the durability impact of unauthorized distributions would not be an appropriate use of CWF funds.

COUNTY OF LAKE
Board of Supervisors
Courthouse - 255 North Forbes Street
Lakeport, California 95453

Telephone (707) 263-2368
Fax (707) 263-2207

Eddie "E.J." Crandell
District 3 Supervisor

6/4/2024

Mr. Tom Welsh, CEO of the California Earthquake Authority,

We are writing to you as on behalf of our constituents, survivors of the 2017 North Bay Fires that ravaged Lake County and destroyed their homes and lives. Many, though fully insured and fully compliant with the damage proof required by the Fire Victim Trust, have been unable to rebuild their homes. Simply put, the insurance money and the pro rata award from the Fire Victim Trust will not be enough.
A review of the FVT's funding, along with the allocations it has already made, shows it is unlikely to be able to make more than a 70% pro rata payment to these Fire Victims of their full determinations. 70% of their FVT determinations will simply not allow these victims to fully rebuild their homes (structure and contents) and their families to resume the lives they had before Pacific Gas & Power's actions changed all our lives forever. All these years after the fire, we desperately need your help.

We have spent some time reviewing the California Wildfire Fund's (CWF) website and reporting. I learned that the CWF's fiscal health is measured (in large part) by its durability. And that durability is a probability measurement expressing the likelihood that the CWF will have sufficient funds to pay eligible claims each year, projected over a number of years. We learned that the Governor's Office engaged a team of experts, including a company called Guy Carpenter, to develop a financial model to assess the CWF's durability during the development of the 2019 Wildfire Legislation. You all at the California Earthquake Administration (CEA), as Administrator of CWF, have also engaged Guy Carpenter and worked with them to make further refinements to the models to aid you in monitoring the CWF's durability.

We understand that the fire victims being paid settlements through the FVT are not currently permitted to benefit from the CWF. We also understand that there is an effort underway to change that so that they too can rebuild their lives and communities. One of the certain hurdles to any such effort would be any negative effect that the payments could have on the CWF's durability rating. We have consulted with financial professionals and believe that substantial payments could be made to the FVT fire victims without negatively affecting the durability of the CWF in a material manner.

To that end, we would like to request that you agree to run a durability analysis on the CWF that accounts for additional payments to the FVT fire survivors from the CWF using the same stochastic financial model that was built and is currently used to project the CWF's durability.

Our intent is that a model will emerge that provides substantial assistance to FVT fire victims while also leaving the CWF highly solvent. We will then approach the Credit Rating Agencies and get an initial advisory opinion from them regarding their analysis of how instituting our proposed model would affect the IOU's credit ratings.

This durability analysis should analyze the following scenarios (and any other scenarios helpful to this possible legislative change):

- A three-billion-dollar payment in 2024 to the FVT, followed by three, one-billion-dollar payments in the years 2025, 2026 and 2027;

- Two, three-billion-dollar payments, one in 2024 and one in 2025;
- Three, two-billion-dollar payments, one in 2024, one in 2025, and one in 2026;
- One, six-billion-dollar payment in 2024;
- 5, 1.2-billion-dollar payments in 2024, 2025, 2026, 2027, 2028;
- 1, 2.4-billion-dollar payment in 2024 and 3, 1.2-billion-dollar payments in 2025, 2026, and 2027;
- 2, 1-billion-dollar payments in 2024 and 2025 and 5 payments of 800 million in 2026 – 2030; and
- 10 payments of 600 million a year in 2024 – 2033.

For each durability analysis requested above, you should assume the following:

- In years when the CWF pays out money to the victims of other new fires, that amount will be reduce from that year's FVT fire victims' allotted payment and the reduced amount will be paid instead to the FVT fire victims in an additional year added to the end of the allotted payments.
  - Ex: If the CWF pays 500 million to the victims of other new fires in a year when the FVT victims are owed 1 billion – then the FVT fire victims would only receive 500 million that year and the reduced 500 million would be paid to the FVT fire victims in an additional year at the end of the promised payments.

Thank you for your attention to this matter and for all of your hard work in support of fire victims.

RESPECTFULLY,

Eddie "E.J." Crandell Sr.

June 12, 2024

Mr. Tom Welsh, CEO of the California Earthquake Authority,

We are writing to you as on behalf of our constituents, survivors of the 2017 North Bay Fires that ravaged Sonoma County and destroyed their homes and lives. Many, though fully insured and fully compliant with the damage proof required by the Fire Victim Trust, have been unable to rebuild their homes. Simply put, the insurance money and the pro rata award from the Fire Victim Trust will not be enough.

A review of the FVT's funding, along with the allocations it has already made, shows it is unlikely to be able to make more than a 70% pro rata payment to these Fire Victims of their full determinations. 70% of their FVT determinations will simply not allow these victims to fully rebuild their homes (structure and contents) and their families to resume the lives they had before Pacific Gas & Power's actions changed all our lives forever. All these years after the fire, we desperately need your help. We have spent some time reviewing the California Wildfire Fund's (CWF) website and reporting. I learned that the CWF's fiscal health is measured (in large part) by its durability. And that durability is a probability measurement expressing the likelihood that the CWF will have sufficient funds to pay eligible claims each year, projected over a number of years. We learned that the Governor's Office engaged a team of experts, including a company called Guy Carpenter, to develop a financial model to assess the CWF's durability during the development of the 2019 Wildfire Legislation. You all at the California Earthquake Administration (CEA), as Administrator of CWF, have also engaged Guy Carpenter and worked with them to make further refinements to the models to aid you in monitoring the CWF's durability.

We understand that the fire victims being paid settlements through the FVT are not currently permitted to benefit from the CWF. We also understand that there is an effort underway to change that so that they too can rebuild their lives and communities. One of the certain hurdles to any such effort would be any negative effect that the payments could have on the CWF's durability rating. We have consulted with financial professionals and believe that substantial payments could be made to the FVT fire victims without negatively affecting the durability of the CWF in a material manner. To that end, we would like to request that you agree to run a durability analysis on the CWF that accounts for additional payments to the FVT fire survivors from the CWF using the same stochastic financial model that was built and is currently used to project the CWF's durability. Our intent is that a model will emerge that provides substantial assistance to FVT fire victims while also leaving the CWF highly solvent. We will then approach the Credit Rating Agencies and get an initial advisory opinion from them regarding their analysis of how instituting our proposed model would affect the IOU's credit ratings.

This durability analysis should analyze the following scenarios (and any other scenarios helpful to this possible legislative change):

- A three-billion-dollar payment in 2024 to the FVT, followed by three, one-billion-dollar payments in the years 2025, 2026 and 2027;
- Two, three-billion-dollar payments, one in 2024 and one in 2025;
- Three, two-billion-dollar payments, one in 2024, one in 2025, and one in 2026;
- One, six-billion-dollar payment in 2024;
- 5, 1.2-billion-dollar payments in 2024, 2025, 2026, 2027, 2028;
- 1, 2.4-billion-dollar payment in 2024 and 3, 1.2-billion-dollar payments in 2025, 2026, and 2027;
- ~~2, 1-billion-dollar payments in 2024 and 2025 and 5 payments of 800 million in 2026 – 2030; and~~
- 10 payments of 600 million a year in 2024 – 2033.

For each durability analysis requested above, you should assume the following:

- In years when the CWF pays out money to the victims of other new fires, that amount will be reduce from that year's FVT fire victims' allotted payment and the reduced amount will be paid instead to the FVT fire victims in an additional year added to the end of the allotted payments.
    - Ex: If the CWF pays 500 million to the victims of other new fires in a year when the FVT victims are owed 1 billion – then the FVT fire victims would only receive 500 million that year and the reduced 500 million would be paid to the FVT fire victims in an additional year at the end of the promised payments.

Thank you for your attention to this matter and for all of your hard work in support of fire victims.

Sincerely,

D Pocekay

Dennis Pocekay
Petaluma City Council

BOARD OF SUPERVISORS
575 ADMINISTRATION DRIVE, RM. 100A
SANTA ROSA, CALIFORNIA 95403
(707) 565-2241
FAX (707) 565-3778

CHRIS COURSEY
Supervisor, Third District

June 18, 2024

Tom Welsh, Chief Executive Officer
California Earthquake Authority
400 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Tom Welsh:

As the Sonoma County Supervisor representing the 3rd District, I write to request that the California Earthquake Authority (CEA) conduct a modeling study to review the potential impact of allowing victims of the 2015-2018 PG&E fires to access the Wildfire Fund so they can recover their losses for wildfire damages not currently available through the Fire Victims Trust (FVT).

As you may know, the damages caused by the 2015-2018 PG&E fires are estimated to total $20 billion across 69,000+ victims. However, only $14 billion is available to victims through the FVT, leaving a nearly $6 billion shortfall. As it currently stands, Californians affected by the 2015-2018 fires will only receive 70 cents on the dollar for their losses.

Meanwhile, the $21 billion Wildfire Fund was created in 2019 to ensure that future California wildfire victims can recover 100% of their losses while preventing Investor Owned Utilities (IOUs), like PG&E, from going bankrupt due to wildfires. The legislation that established the fund, AB 1054, was a direct response to the 2015-2018 PG&E fires, the subsequent bankruptcy of PG&E, and the experiences of the victims.

While the Wildfire Fund is a laudable initiative, current law limits eligibility to victims of wildfires that occurred after 2019. The nearly 70,000 victims of the 2015-2018 PG&E fires – the most devastating in the history of California and the inspiration for the Fund in the first place – are excluded simply because the fires that destroyed their communities and livelihoods happened a few years before this arbitrary cut-off.

Thus, while future California wildfire victims are guaranteed to be made whole for their losses, the victims of the 2015-2018 PG&E fires are only currently eligible to recover 70% of their damages. This is fundamentally wrong.

As of this writing, the Wildfire Fund remains fully funded – it has not once been accessed in the four years since its creation. Moreover, the fund is earning considerable interest and experts have posited that improvements to IOU safety practices and infrastructure suggest that California may experience fewer and less severe wildfires in the future. Thus, one can reasonably hypothesize that the health of the fund – and its ability to fulfill its purpose in the future – is and will remain well intact should access be granted to victims of the 2015-2018 PG&E fires to offset the FVT shortfall.

I strongly believe that it is worth exploring this option, which would require a simple reform to AB 1054. However, before such a reform can be considered, it is necessary to understand the short- and long-term impact on the Fund. Given the CEA's role in the administration of the Wildfire Fund, the CEA has access to the data required to conduct such an analysis.

Therefore, on behalf of my constituents and myself, I respectfully request that the CEA undertake such a modeling study, so that we can have a full and clear picture of the potential impacts, which will help lawmakers and the public make a well-informed decision on next steps.

Protecting Californians from the impact of wildfires is an urgent priority that we all share. I am grateful for your work in administering the Wildfire Fund and for your timely consideration of this important request.
Sincerely,

Chris Coursey
Sonoma County Board of Supervisors
District 3

July 19, 2024

Tom Welsh
Chief Executive Officer
California Earthquake Authority
400 Capitol Mall, Suite 1200
Sacramento CA 95814

Dear Mr. Welsh:

I write to request that the California Earthquake Authority (CEA) conduct a modeling study to review the potential impact of allowing victims of the 2015-2018 PG&E fires to access the Wildfire Fund so they can recover their losses for wildfire damages not currently available through the Fire Victims Trust (FVT).

Although the damages caused by the 2015-2018 PG&E fires are estimated to total $20 billion across 69,000+ victims, Californians affected by those fires will likely only receive 70 cents on the dollar for their losses. Inspired by that tragic failure, the $21 billion Wildfire Fund was created to ensure that future California wildfire victims can recover 100% of their losses while preventing Investor Owned Utilities (IOUs), like PG&E, from going bankrupt due to wildfires. The legislation that established the fund, AB 1054, was a direct response to the 2015-2018 PG&E fires, the subsequent bankruptcy of PG&E, and the experiences of the victims. Nevertheless, those 2015-2018 victims have been precluded from accessing the fund they inspired.

As you know, the Wildfire Fund remains fully funded—it has not once been accessed in the four years since its creation and quickly repaid its initial state startup loan. Moreover, the fund is earning interest and experts have posited that improvements to IOU safety practices and infrastructure will reduce wildfire incidence and the scope of damages. Thus, it is possible that the health of the fund may remain durable should access be granted to victims of the 2015-2018 PG&E fires to offset the FVT shortfall.

I strongly believe that it is worth exploring this option. However, before such a reform can be considered, it is necessary to understand the short- and long-term impact on the Fund. Given the CEA's role in the administration of the Wildfire Fund, the CEA has access to the data and expertise required to conduct such an analysis.

Therefore, I respectfully request that the CEA undertake such a modeling study, so that we can have a full and clear picture of the potential impacts, which will help lawmakers make a well-informed decision on next steps.

Protecting Californians from the impact of wildfires is an urgent priority that we all share. I am grateful for your work in administering the Wildfire Fund and for your timely consideration of this important request.

Sincerely,

CHRISTOPHER CABALDON

Mr. Tom Welsh, CEO of the California Earthquake Authority,

I am writing as a survivor of the 2017 North Bay/Sulphur Fires that ravaged Lake and Sonoma counties and destroyed many homes and lives. At the time of the fire in October 2017, I was the City Manager of Clearlake in Lake County, and a resident of Clearlake who thought I had lost my home as the fire was so close. Many residents, though fully insured and fully compliant with the damage proof required by the Fire Victim Trust, have been unable to rebuild their homes. Simply put, the insurance money and the pro rata award from the Fire Victim Trust will not be enough. Keep in mind that the pro rata award is subject to attorney fees and federal income tax.

A review of the FVT's funding, along with the allocations it has already made, shows it is unlikely to be able to make more than a 70% pro rata payment to these Fire Victims of their full determinations. 70% of their FVT determinations will simply not allow these victims to fully rebuild their homes (structure and contents) and their families to resume the lives they had before Pacific Gas & Power's actions changed all our lives forever. All these years after the fire, we desperately need your help.

I would like to support the request from our attorneys that you agree to run a durability analysis on the CWF that accounts for additional payments to the FVT fire survivors from the CWF using the same stochastic financial model that was built and is currently used to project the CWF's durability. Our hope is that a model will emerge that provides substantial assistance to FVT fire victims while also leaving the CWF highly solvent.

Thank you for your attention to this matter and for all of your hard work in support of fire victims.

Regards,

Greg Folsom
Retired City Manager

SONOMA COUNTY BOARD OF SUPERVISORS
575 ADMINISTRATION DRIVE, RM. 100A
SANTA ROSA, CALIFORNIA 95403

JAMES GORE
4TH DISTRICT SUPERVISOR
VICE-PRESIDENT, NATIONAL ASSOC. OF COUNTIES
Email: District4@sonoma-county.org
Phone: 707-228-9521

Mr. Tom Welsh
Chief Executive Officer
California Earthquake Authority
400 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Mr. Welsh:

As the Fourth District Sonoma County Supervisor, I write to request that the California Earthquake Authority (CEA) conduct a modeling study to review the potential impact of allowing victims of the major Northern California wildfires from 2015-2018 to access the Wildfire Fund so they can recover their losses for damages not currently available through the Fire Victims Trust (FVT).

As you may know, the damages caused by the 2015-2018 fires, the most devastating in the history of California, are estimated to total $20 billion across 69,000+ victims. However, only $14 billion is available to victims through the FVT, leaving a nearly $6 billion shortfall. As it currently stands, Californians affected by the 2015-2018 fires will receive only 70% of their damages.

Specifically, I represent the people and the area affected by the Kincaid Fire in 2019. I still hear from local friends and constituents, those who lost homes or suffered damages, about their continued frustration with being left out and unable to move their lives forward. I have a dear friend who runs a local feed store, a 90-year-old community stalwart named Johnny, who pleads with me to help find a way to finalize these settlements from the Kincaid. I ask, not just as a Supervisor, but for Johnny, that we move forward.

The $21 billion Wildfire Fund was created in 2019 to ensure that future California wildfire victims can recover 100% of their losses while preventing Investor-Owned Utilities (IOUs), like PG&E, from going bankrupt due to wildfires. The legislation that established the fund, AB 1054, was a direct response to the 2015-2018 fires, the subsequent bankruptcy of PG&E, and the experiences of the victims.

While the Wildfire Fund is a laudable initiative, current law limits eligibility to victims of wildfires that occurred after 2019. Victims of the 2015-2018 fires are excluded simply because the fires that destroyed their communities and livelihoods happened a few years before this arbitrary cut-off. This is fundamentally wrong.

I strongly believe that it is worth exploring this option, which would require a reform to AB 1054. However, before such a reform can be considered, it is necessary to understand the short- and long-term impact on the Fund. Given the CEA's role in the administration of the Wildfire Fund, the CEA has access to the data required to conduct such an analysis.

Therefore, on behalf of my constituents and myself, I respectfully request that the CEA undertake such a modeling study, so that we can have a full and clear picture of the potential impacts, which will help lawmakers and the public make well-informed decisions on next steps.

Protecting Californians from the impact of wildfires is an urgent priority that we all share. I am grateful for your work in administering the Wildfire Fund and for your timely consideration of this important request.

Sincerely,

James Gore
Fourth District County Supervisor

Mr. Tom Welsh, CEO of the California Earthquake Authority,

We are writing to you as on behalf of our constituents, survivors of the 2017 North Bay Fires that ravaged Lake County and destroyed their homes and lives. Many, though fully insured and fully compliant with the damage proof required by the Fire Victim Trust, have been unable to rebuild their homes. Simply put, the insurance money and the pro rata award from the Fire Victim Trust will not be enough.

A review of the FVT's funding, along with the allocations it has already made, shows it is unlikely to be able to make more than a 70% pro rata payment to these Fire Victims of their full determinations. 70% of their FVT determinations will simply not allow these victims to fully rebuild their homes (structure and contents) and their families to resume the lives they had before Pacific Gas & Power's actions changed all our lives forever. All these years after the fire, we desperately need your help.

We have spent some time reviewing the California Wildfire Fund's (CWF) website and reporting. I learned that the CWF's fiscal health is measured (in large part) by its durability. And that durability is a probability measurement expressing the likelihood that the CWF will have sufficient funds to pay eligible claims each year, projected over a number of years. We learned that the Governor's Office engaged a team of experts, including a company called Guy Carpenter, to develop a financial model to assess the CWF's durability during the development of the 2019 Wildfire Legislation. You all at the California Earthquake Administration (CEA), as Administrator of CWF, have also engaged Guy Carpenter and worked with them to make further refinements to the models to aid you in monitoring the CWF's durability.

We understand that the fire victims being paid settlements through the FVT are not currently permitted to benefit from the CWF. We also understand that there is an effort underway to change that so that they too can rebuild their lives and communities. One of the certain hurdles to any such effort would be any negative effect that the payments could have on the CWF's durability rating. We have consulted with financial professionals and believe that substantial payments could be made to the FVT fire victims without negatively affecting the durability of the CWF in a material manner.

To that end, we would like to request that you agree to run a durability analysis on the CWF that accounts for additional payments to the FVT fire survivors from the CWF using the same stochastic financial model that was built and is currently used to project the CWF's durability.

Our intent is that a model will emerge that provides substantial assistance to FVT fire victims while also leaving the CWF highly solvent. We will then approach the Credit Rating Agencies and get an initial advisory opinion from them regarding their analysis of how instituting our proposed model would affect the IOU's credit ratings.

This durability analysis should analyze the following scenarios (and any other scenarios helpful to this possible legislative change):

- A three-billion-dollar payment in 2024 to the FVT, followed by three, one-billion-dollar payments in the years 2025, 2026 and 2027;
- Two, three-billion-dollar payments, one in 2024 and one in 2025;
- Three, two-billion-dollar payments, one in 2024, one in 2025, and one in 2026;
- One, six-billion-dollar payment in 2024;
- 5, 1.2-billion-dollar payments in 2024, 2025, 2026, 2027, 2028;
- 1, 2.4-billion-dollar payment in 2024 and 3, 1.2-billion-dollar payments in 2025, 2026, and 2027;
- 2, 1-billion-dollar payments in 2024 and 2025 and 5 payments of 800 million in 2026 – 2030; and
- 10 payments of 600 million a year in 2024 – 2033.

For each durability analysis requested above, you should assume the following:

- In years when the CWF pays out money to the victims of other new fires, that amount will be reduce from that year's FVT fire victims' allotted payment and the reduced amount will be paid instead to the FVT fire victims in an additional year added to the end of the allotted payments.
    - Ex: If the CWF pays 500 million to the victims of other new fires in a year when the FVT victims are owed 1 billion – then the FVT fire victims would only receive 500 million that year and the reduced 500 million would be paid to the FVT fire victims in an additional year at the end of the promised payments.

Thank you for your attention to this matter and for all of your hard work in support of fire victims.

SINCERELY,

Geoff Dent (signature)

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 07: Administrator Evaluation

Recommended Action: No action required – Information only

Council Member Khaim Morton will give an overview of the process used for the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2023. Mr. Welsh will present the results of the Council's annual evaluation.

The attached performance review contains the anonymized, and aggregated comments from all council members. CEA appreciates the positive comments and takes seriously the suggestions for improvement. CEA is deeply committed to operational excellence and continuous improvement. CEA's team appreciates the Council's confidence in CEA's ability to perform as Administrator of the Fund, and will look for additional ways, including those suggestions included in the attached comments, to continue to progress in our role as the Wildfire Fund Administrator.

Wildfire Fund Administrator Evaluation Rating 2024

Member 1	
Leadership and Culture	4
Financial Leadership	4
Council Relations	4
Claim Administration	4
Enterprise Risk Management	4
Overall Evaluation	4
Total	24

Member 2	
Leadership and Culture	4
Financial Leadership	5
Council Relations	5
Claim Administration	4
Enterprise Risk Management	5
Overall Evaluation	4
Total	27

Member 3	
Leadership and Culture	4
Financial Leadership	4
Council Relations	4
Claim Administration	4
Enterprise Risk Management	4
Overall Evaluation	4
Total	24

Member 4	
Leadership and Culture	4
Financial Leadership	4
Council Relations	4
Claim Administration	4
Enterprise Risk Management	5
Overall Evaluation	4
Total	25

Member 5	
Leadership and Culture	5
Financial Leadership	5
Council Relations	5
Claim Administration	4
Enterprise Risk Management	5
Overall Evaluation	5
Total	29

Member 6	
Leadership and Culture	5
Financial Leadership	5
Council Relations	4
Claim Administration	4
Enterprise Risk Management	5
Overall Evaluation	5
Total	28

Member 7	
Leadership and Culture	5
Financial Leadership	5
Council Relations	5
Claim Administration	5
Enterprise Risk Management	5
Overall Evaluation	5
Total	30

Member 8	
Leadership and Culture	5
Financial Leadership	5
Council Relations	5
Claim Administration	5
Enterprise Risk Management	5
Overall Evaluation	5
Total	30

Member 9	
Leadership and Culture	4
Financial Leadership	4
Council Relations	5
Claim Administration	4
Enterprise Risk Management	5
Overall Evaluation	4
Total	26

Overall Score (Average)	
Leadership and Culture	4.4
Financial Leadership	4.6
Council Relations	4.6
Claim Administration	4.2
Enterprise Risk Management	4.8
Overall Evaluation	4.4
Total	27

Wildfire Fund Administrator Evaluation Comments 2024

Leadership and Culture

- The CEA, through its Governing Board, is currently in the process of securing new CEO leadership, but has been able to maintain a steady role in its duties as the Wildfire Fund Administrator.
- The CEA has done a very good job of putting the right people in the right place to do an effective job, including ensuring that its statutory duties are being fulfilled.
- In addition, the Administrator has done a good job of establishing a culture/recognition of the value of diversity, equity, and inclusion similar to the CEA.
- There has been a very strong and competent team of subject matter experts built up.
- The CEA staff is doing an excellent job of managing the Wildfire Fund. Glenn engaged highly qualified individuals to manage the various aspects of the Fund, and I have confidence that Tom, as interim, will continue to successfully manage the CEA.
- To date, the Administrator has done a fine job in meeting these metrics. We have of course yet to process a claim, however the level of effort extended so far and attentions to detail in preparing for such an event has been well done.
- I continue to be impressed about information, recommendations, early alerts about possible issues, and regular progress made by the leadership and culture of CCRC. One area would be beneficial to me and to other Council members would be an update/information on CCRC's diversity, inclusion, and belonging plans and outcomes.
- Area of particular strength: "Ensuring short-term and long-term goals and priorities are communicated and well-understood by the Council, employees, and stakeholders."
- No evidence (for or against) to judge that the Administrator is "earning and maintaining the respect of employees" or that there is "strong support for diversity, inclusion, and belonging." Would like to see these topics given occasional space on Council agendas.

Financial Leadership

- We believe that the CEA as the Wildfire Fund Administrator has done an excellent job of incorporating their own investment oversight duties for the CEA into its work for the Wildfire Fund.
- They have been able to take actions to maximize investment yield while at the same time maintaining safety of principal; they have also made changes in portfolio duration which has increased yields.
- They have diligently worked with DWR to try to reduce administration amounts charged to the Wildfire Fund.
- They obtain approval for operating budgets and have explored cost and benefits for risk transfer of the Wildfire Fund, making sound recommendations to the Council for its review/approval.
- Tom Hanzel is doing an excellent job managing the investments of the Fund. The CWF Interim and Annual reports are thoroughly prepared and clearly presented to the Council.
- The effort to monitor and maintain sound financial investments has been well done. All of the key metric areas in this category have been met.
- Information provided in briefings before meetings, written materials, and during presentations reflect financial stewardship of resources. The attention to detail regarding

DWR costs/billing is very appreciated. CCRC careful consideration, discussion, and execution of Board Member recommendations has been important over the last year.

- Excellent work. Very responsive to the Council. Especially pleased with staff's approach to working with DWR. Risk management is good, though I'd still like to undertake legislation to be able to talk about reinsurance.
- I was especially impressed with the development of the new forecasts to project the fund balance given revenue streams and various claims scenarios.
- Administrator (CEA) is very strong in all aspects of financial leadership. One area to consider for improvement is in "engagement of the Council in robust dialogue about financial reports and plans." There is ample opportunity for the Council to ask questions regarding financial reports, but be cautious that processes that largely rely on offline pre-review of reports (for efficiency/timeliness sake), can lead to lack of understanding and lack of transparency on the details. To truly make these discussions more robust, annual line by line report walk throughs may yield more engagement.

Council Relations

- The CEA has kept a good line of communication with the Council and has provided the Board with sound and thoughtful recommendations.
- The CEA does a good job of implementing existing statutes and organizational policies established by the Council as well as preparing and conducting Council meetings to ensure compliance with the Bagley-Keene Open Meeting Act and public transparency.
- They do an excellent job of helping the Council in the formal preparation and submission of the Annual Report to the Legislature, which always shows tremendous thought, time, and effort.
- Management and staff, have been very willing to provide background information as quickly as possible, along with willingness to engage in dialogue to assist the Board in furthering its understanding of issues, context, their role and stakeholders.
- The CEA is doing an excellent job communicating with council members. I appreciated the briefings provided to council members prior to council meetings and would like the CEA to continue to do that. I also appreciated the presentations at council meetings by outside experts and hope to have more briefings included in future Agendas.
- I don't know if it would be possible, but it may be beneficial for the council to meet once a year in person with CEA staff in a social setting as a way of establishing better relations.
- Generally, communication is good. There isn't typically a lot of cross communication necessary, however, we do regularly get an update document of related news and events that could impact the council. Some of the other metrics in this area have not really been addressed to date, or possible that a little more attention can occur here.
- Council relations has been excellent over the past year. I would highlight the strategic use of Council members time, proactive information sharing, educating the council on issues of concern in a timely way, and the care and attention to detail on Bagley-Keene compliance.
- There hasn't been very much to communicate about, so it's hard to comment. But nothing to complain about, either.
- I appreciate that the staff only send email updates when there is something that has changed or needs our attention.

• CEA is extremely professional, respectful, thoughtful, and responsive in its interactions with the Council.
Claim Administration • The Wildfire Fund has not had to pay many claims to date due to the high deductibles established by the statute. • In light of that, the CEA has used this time to responsibly and dutifully establish claims procedures which were approved by the Council, and have done extensive testing in order to be ready to function properly when needed. • The claims process is very thorough and the fund is prepared to process claims. • Again…general overall preparedness has been good and I believe the Administrator is well situated for claims processing. We have not actually employed that process yet and will have further review when that occurs. • Claims administration procedures appear up-to-date and there clear planning for what is expected in terms of claims. That said, no claims have been filed or processed. So, other aspects of assessing this are of responsibility are not possible. • We seem to be prepared, but this hasn't been tested. So there isn't much to comment on, but also nothing to be concerned about. • Preparation for claims seems to be right on track. We will know better where we can improve once we actually have claims to process. • Have not yet made it far enough along in the process of paying claims to assess if CEA is adequately "maintaining processes to verify appropriate and valid claims" or sufficiently "conducting testing to validate claims paying ability."
Enterprise Risk Management • The CEA has done a good job of incorporating its own enterprise risk management processes into its work as Administrator for the Wildfire Fund, including adequate and timely reporting on risk management/recognition to the Council. • I believe the CEA is doing as good a job as could reasonably be expected with regard to Enterprise Risk Management. They have examined the risk of catastrophic event claims and have determined that the durability of the fund is strong. They continue to monitor the durability of the fund, but time will determine how well they are managing enterprise risk. • All metrics met in this category. • Risk assessment, management, assessments, and development of tools and controls are excellent. • Seems that the staff are taking this seriously and in great detail. • Impressed by the CEA risk management process, and the maintenance, awareness, and communication of risks internally and to the Council.
Overall Evaluation • There is a very strong team in place to assist in the day to day operations and assist the Board in its governance duties. I feel confident that the Administrator will be able to provide sound guidance during discussions and operate as needed. • The CEA continues to do an excellent job managing the CWF. I have a high level of confidence in their competencies and have been impressed with their commitment to

management of the fund. They have developed a thorough system to process claims and they are doing an excellent job with the investment management of the fund.

- Overall, the Administrator has performed exceptionally well, is detail oriented and is attentive. Again, I leave additional room for review following actual claims adjusting and processing. Nevertheless, the Administrator has functioned in a professional and competent manner to position the Council well.
- The Administrator is doing a very good job at this time in a job that doesn't require a lot of effort currently. Except in the area of financial management, it seems that preparations have been made in the event claims have to be paid, but there is no current need for staff attention in those matters. So, the overall evaluation is based on a perception of readiness not execution.
- Really appreciate all of the work that the CEA staff do to keep the CCRC up to date, to invest the funds well and to prepare for eventual claims.
- This is an organizational structure still in its youth. From what is observable by the Council, the people, processes, and culture are in place for CEA to continue to demonstrate strong performance as the Wildfire Fund Administrator, but the challenge lies in maintaining those processes and culture over the lifetime of claims payout and future wildfire disasters. All indications point to CEA being well-suited to meet these future demands and unknowns.

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 08: Financial Report

Recommended Action: No action required – information only.

CEA CFO Tom Hanzel will provide the California Catastrophe Response Council with a financial report on the Wildfire Fund as of June 30, 2024, and 2023.

This financial report will include an update on the recent procurement of (1) a Financial Advisor to CEA, as Administrator of the Wildfire Fund, and (2) a panel of Investment Managers for the Wildfire Fund's investment portfolio.

CALIFORNIA EARTHQUAKE AUTHORITY

Wildfire Fund Administrator

FINANCIAL REPORT

June 30, 2024

Financial Report Table of Contents

Financial Statements

California Wildfire Fund
Balance Sheets

UNAUDITED

	June 30, 2024	June 30, 2023
Assets		
Cash and investments:		
Cash and cash equivalents	$ 38,673,191	$ 153,108,997
Investments	11,827,520,881	10,208,447,437
Total cash and investments	11,866,194,072	10,361,556,434
Interest receivable	81,134,470	59,431,250
Securities receivable	45,214,131	-
Total assets	$ 11,992,542,673	$ 10,420,987,684
Liabilities and Net Position		
Loss and loss adjustment expense reserves	$ 600,000,000	$ -
Accounts payable and accrued expenses	1,277,757	1,130,356
Related party payable - CEA	216,719	218,873
Total liabilities	601,494,476	1,349,229
Net position:		
Restricted for CWF	11,391,048,197	10,419,638,455
Total net position	11,391,048,197	10,419,638,455
Total liabilities and net position	$ 11,992,542,673	$ 10,420,987,684

California Wildfire Fund
Statements of Revenues, Expenses and Changes in Net Position

UNAUDITED

	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Additions to fund assets:		
Rate payer monthly NBCs	$ 405,772,500	$ 449,877,247
Total contributions	405,772,500	449,877,247
Investment income & expenses	156,261,059	79,603,033
Change in unrealized gain/(loss)	(73,825,835)	59,646,300
Net investment income/(loss)	82,435,224	139,249,333
Total additions to fund assets	488,207,724	589,126,580
Deductions to fund assets:		
SMIF loan principal payments	-	250,000,000
SMIF loan interest expense	-	1,093,877
General and administrative expenses	976,065	812,667
Personnel expenses	161,976	185,913
Total deductions to fund assets	1,138,041	252,092,457
Increase/(decrease) in net position	487,069,683	337,034,123
Net position, beginning of year	10,903,978,514	10,082,604,332
Net position, end of period	$ 11,391,048,197	$ 10,419,638,455

California Wildfire Fund
2024 Approved Budget vs 2024 Actual Activity
as of June 30, 2024

	Actual Activity for Six Months Ended June 30, 2024		Approved Budget for Six Months Ended June 30, 2024		Actual Activity for Six Months Ended June 30, 2023	Approved Budget for FYE 2024	
Additions to fund assets:							
Rate payer monthly NBCs, net	$ 405,772,500	*	$ 404,277,097		$ 449,877,247	$ 885,433,005	**
Utility annual contributions	-		-		-	300,000,000	
Investment income (net of expenses)	156,261,059		145,108,705		79,603,033	299,161,518	
Total additions to fund assets	**$ 562,033,559**		**$ 549,385,802**		**$ 529,480,280**	**$ 1,484,594,523**	
Deductions to fund assets:							
Wildfire paid claims	$ -		$ 50,000,000		$ -	$ 350,000,000	
SMIF - principal payment	-		-		250,000,000	-	
SMIF - loan interest	-		-		1,093,877	-	
Personnel expenses:							
Personnel expenses - allocated from CEA	161,976		234,798		185,913	469,600	
Total personnel expenses	161,976		234,798		185,913	469,600	
General and administrative expenses:							
Other contracted and consulting services	413,876		1,246,638		296,808	2,493,275	
G&A expenses - allocated from CEA	270,966		292,192		250,556	602,381	
Financial services consulting	144,461		149,460		143,907	303,258	
Bank fees	133,027		134,798		115,365	274,610	
Direct legal services-general	1,597		75,000		-	150,000	
Travel	-		5,000		-	16,320	
RFQ advertisements	6,585		10,000		-	10,000	
Audit fees	4,000		4,000		4,000	4,000	
Governing board meeting expenses	754		1,050		1,126	2,100	
Direct IT services	-		600		-	1,000	
Software and licenses	708		400		708	900	
Printing & stationary	91		300		197	500	
Total general and administrative expenses:	976,065		1,919,438		812,667	3,858,344	
Total deductions to fund assets	**$ 1,138,041**		**$ 52,154,236**		**$ 252,092,457**	**$ 354,327,944**	
Change in unrealized gain/(loss)	(73,825,835)		-	***	59,646,300	-	
Increase/(decrease) in net position	**$ 487,069,683**		**$ 497,231,566**		**$ 337,034,123**	**$ 1,130,266,579**	

* - NBC funds received by CWF in 2024 are net of DWR administrative and operating expenses of $3.7mm. The $3.7mm is made up of $1.6mm of DWR A&O expenses paid from Jan'24 through June'24 and $2.1mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

** - Budgeted NBC funds to be received by CWF in 2024 are net of $5.4mm for DWR administrative and operating expenses.

*** - Unrealized gain/loss is not budgeted for CWF

California Wildfire Fund
Cost Allocation Methodology and Calculation for the Six Months Ended June 30, 2024 and 2023
06/30/2024

Note 1: Cost Allocation Approach

CEA's Cost Allocation Plan is based on the Direct Allocation Method. The Direct Allocation Method treats all costs as direct costs except general administration and general expenses.

Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.

The general approach of the CEA in allocating costs to the CWF is as follows:
A. All direct costs that are incurred directly by the CWF.
B. All other general and administrative costs (costs that benefit both Funds and cannot be identified to a specific Fund) are allocated to each Fund using a base that results in an equitable distribution. Costs that benefit more than one Fund will be allocated to each Fund based on the ratio of each Fund's salaries/benefits to the total of such salaries/benefits

Essentially, CWF cannot operate without administrative functions and these areas touch every aspect of the business and this is the justification for allocation. A continuing review of cost allocation will be a policy and more importantly, it will not be a standard and may change from time to time.

Note 2: Direct and Indirect Costs

Starting in July 2019, the CEA, acting as the interim administrator of the CWF, started tracking employees who were working directly on the CWF. These hours were tracked in a time tracking software that is on CEA's SharePoint intranet site.
The following hours were captured and the CEA applied each employees hourly rate + the predetermined burden rate to come up with the direct labor charge for the CWF for the Six Months Ended June 30, 2024 and 2023.

	Six Months Ended June'24		Six Months Ended June'23	
Department	**Hours**	**Salaries & Benefits**	**Hours**	**Salaries & Benefits**
1. Comms	46.0	3,883	36.0	4,303
2. Exec	65.8	18,544	62.0	17,531
3. Finance	542.5	60,976	461.8	61,015
4. IT	-	-	1.0	108
5. Internal Ops	88.3	8,216	-	-
6. Insurance Ops	92.3	18,954	129.0	25,998
7. Legal	387.3	42,758	532.0	60,724
Total Direct Hours/Costs	1,222.0	153,330	1,221.7	169,678

	June'24		June'23
CWF Salary & Benefit costs =	153,330	A	169,678
CEA Salary & Benefit costs =	13,354,472	B	12,323,977
	13,507,802	C	12,493,655
Allocation % =	1.14%	= A/C	1.36%

All other indirect costs, except for Clearwater charges, were allocated to the CWF based on the 1.14% and 1.36% allocations noted above. The Direct Investment Technology Support line item below consists of Clearwater (investment accounting and compliance software) charges that are allocated to the CWF based upon CWF's share of total assets under management of the CEA and CWF combined. The remaining indirect expenses noted below were charged to the CWF using the allocation percentages noted above.

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	7,754	8,873
Rent-Office Equip/Furniture	86450-16	108	116
Building Maintenance and Repairs	86475-16	26	39
Furniture/Equipment <$5000	86500-16	-	33
EDP Hardware <5000	86505-16	1,757	2,989
EDP Software <5000	86506-16	14,137	21,057
Office Supplies	86510-16	90	186
Postage	86530-16	-	9
HR and IT staff allocation	85101-16	8,646	16,235
Telecommunications	86550-16	2,103	2,213
Insurance Expense	86600-16	4,012	5,139
Other Administration Services	88175-16	381	268
Direct Investment Technology Support	89805-16	240,598	209,635
Total Indirect Costs		279,612	266,791
Total Costs		432,942	436,469

Contributions & NBCs Received

California Wildfire Fund
SMIF Loan Proceeds, IOU Contributions, & NBCs Received
As of June 30, 2024

	Description	Date Received	Amount
1.	SMIF Loan Proceeds	8/15/2019	$ 2,000,000,000
2.	SDG&E initial capital contribution	9/9/2019	322,500,000
3.	SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
4.	SDG&E 2019 annual contribution	12/19/2019	12,900,000
5.	SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
6.	PG&E initial capital contribution	7/1/2020	4,815,000,000
7.	PG&E 2019 annual contribution	7/1/2020	192,600,000
8.	IOUs 2020 annual contributions	December-20	300,000,000
9.	IOUs 2021 annual contributions	December-21	300,000,000
10.	IOUs 2022 annual contributions	December-22	300,000,000
11.	IOUs 2023 annual contributions	December-23	300,000,000
		Total SMIF Loan Proceeds & IOU Contributions	11,000,000,000
1.	2021 NBC funds received	12-months of 2021	875,076,565
2.	2022 NBC funds received	12-months of 2022	1,116,593,213
3.	2023 NBC funds received	12-months of 2023	888,460,672
4.	January 2024 NBC funds	Jan'24 weekly ACHs	80,814,233
5.	February 2024 NBC funds	Feb'24 weekly ACHs	60,106,717
6.	March 2024 NBC funds	March'24 weekly ACHs	64,597,509
7.	April 2024 NBC funds	April'24 weekly ACHs	63,268,813
8.	May 2024 NBC funds	May'24 weekly ACHs	76,433,521
9.	June 2024 NBC funds	June'24 weekly ACHs	60,551,707
		Total NBCs Received	3,285,902,950
		Total Funds Received	$ 14,285,902,950

Investment Analysis

California Wildfire Fund
CWF Portfolio Overview
6/30/2024

June 30, 2024

The CWF's total portfolio market value for June 2024 was $11.87 billion with an average duration of 3.56 years and average credit ratings of "AA".

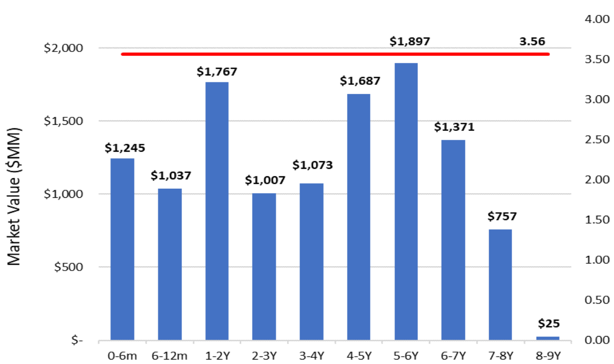
CWF Investment Portfolio as of June 30, 2024				
Sector	**Value ($MM)**	**% of Portfolio**	**Avg Credit Rating**	**Duration (Yrs)**
U.S. Treasury	$ 6,665	56.2%	AA+	3.51
U.S. Agency & Supranational	1,179	9.9%	AA+	2.69
Corporates	3,987	33.6%	A+	3.95
U.S. TSY MMF	35	0.3%	AAA	0.00
Total	**$ 11,866**	**100.0%**	**AA**	**3.56**

June 30, 2023

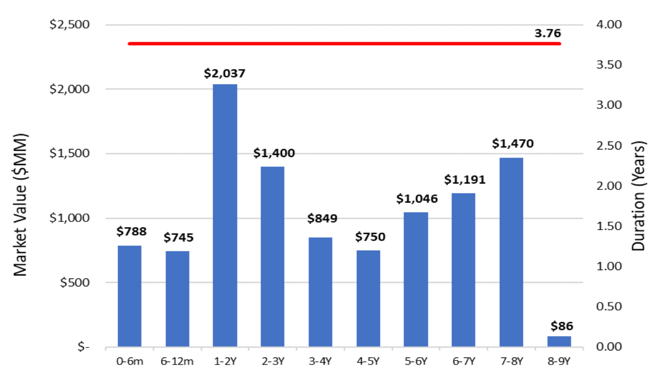
The CWF's total portfolio market value for June 2023 was $10.36 billion with an average duration of 3.76 years and average credit ratings of "AA".

CWF Investment Portfolio as of June 30, 2023				
Sector	**Value ($MM)**	**% of Portfolio**	**Avg Credit Rating**	**Duration (Yrs)**
U.S. Treasury	$ 5,463	52.8%	AAA	3.38
U.S. Agency & Supranational	1,195	11.5%	AAA	3.31
Corporates	3,588	34.6%	A+	4.60
U.S. TSY MMF	116	1.1%	AAA	0.00
Total	**$ 10,362**	**100.0%**	**AA**	**3.76**

CWF Maturity Distribution: June 30, 2024



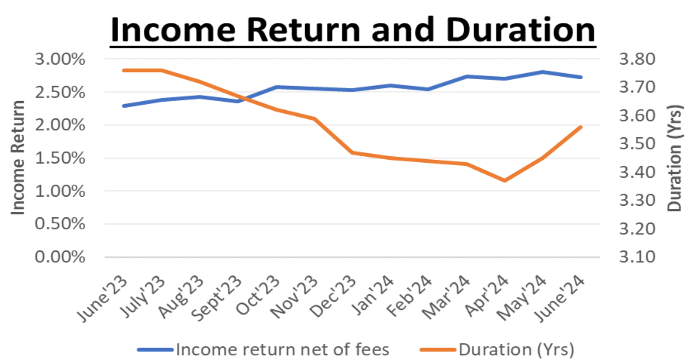
CWF Maturity Distribution: June 30, 2023

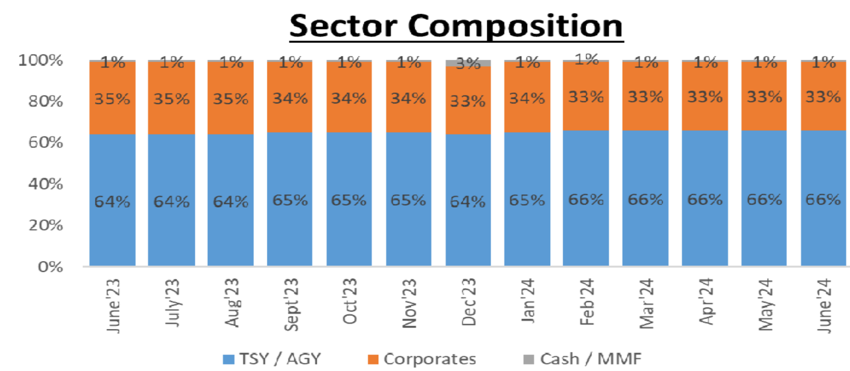


California Wildfire Fund
CWF Portfolio 12-Month History
June 30, 2024

CWF Investment Portfolio Overview	June'23	July'23	Aug'23	Sept'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	June'24
Total Portfolio													
Market Value - Cash & Investments ($MM)	$10,362	$10,426	$10,578	$10,444	$10,532	$10,864	$11,143	$11,553	$11,537	$11,617	$11,584	$11,791	$11,866
Investment income ($MM) *	20.01	20.95	21.57	21.02	22.83	23.09	23.82	25.27	24.88	26.73	26.72	27.72	27.14
Change in unrealized gain/(loss) ($MM)	(72.89)	(1.71)	(26.84)	(143.16)	(79.40)	257.00	209.8	1.90	(122.45)	43.02	(159.02)	96.83	65.89
Investment management fees and bank fees ($MM)	0.32	0.32	0.32	0.33	0.33	0.34	0.36	0.37	0.37	0.37	0.36	0.38	0.37
fees as a % of average AUM	0.0031%	0.0031%	0.0031%	0.0031%	0.0032%	0.0032%	0.0032%	0.0032%	0.0032%	0.0032%	0.0031%	0.0033%	0.0032%
Income return gross of fees	2.33%	2.42%	2.47%	2.40%	2.62%	2.59%	2.57%	2.64%	2.59%	2.77%	2.74%	2.85%	2.76%
Income return net of fees	2.29%	2.38%	2.43%	2.36%	2.58%	2.55%	2.53%	2.60%	2.55%	2.73%	2.71%	2.81%	2.72%
Yield to Maturity	4.72%	4.77%	4.89%	5.14%	5.34%	4.86%	4.31%	4.49%	4.79%	4.71%	5.08%	4.89%	4.76%
Duration (Yrs)	3.76	3.76	3.72	3.67	3.62	3.59	3.47	3.45	3.44	3.43	3.37	3.45	3.56
Portfolio Composition (%)													
TSY / AGY	64%	64%	64%	65%	65%	65%	64%	65%	66%	66%	66%	66%	66%
Corporates	35%	35%	35%	34%	34%	34%	33%	34%	33%	33%	33%	33%	33%
Cash / MMF	1%	1%	1%	1%	1%	1%	3%	1%	1%	1%	1%	1%	1%

* - Investment income does not include bank and investment manager fees. The amount includes the following: (1) interest income and interest purchased (2) Accretion - discount (3) Amortization - premium (4) Realized gain/(loss)





RFQ Updates

Update on RFQ # 01-24: Investment Managers for CEA and/or CWF

Background:

As a result of the CEA becoming the permanent administrator of the California Wildfire Fund (CWF) in April 2020, the staff of the CEA is managing 30 investment manager contracts (16 for CEA and 14 for CWF) and utilizing the services of 20 investment managers with varying contract termination dates.

To minimize the administrative burden of having more investment managers than deemed required and having varying contract termination dates, the staff of the CEA began a formal procurement process (designated as RFQ: 01-24) for investment manager services for the CEA and/or CWF. This formal procurement process was open to both existing investment managers as well as firms that have not previously worked with CEA/CWF. The staff of the CEA placed an emphasis on actively recruiting firms with diverse and inclusive ownership and staffing.

Procurement Process and Analysis:

On February 1, 2024, the CEA issued a Request for Qualifications (RFQ) to solicit proposals for investment managers to invest monies on behalf of the CEA's earthquake fund and/or CWF. The highest-scoring respondents will be presented to CEA's Board for approval at the June 25, 2024, meeting to contract with the CEA for investment management services.

The RFQ was advertised on the websites of the following media outlets:

- The Wall Street Journal
- Pension & Investments

The CEA received responses from 41 investment management firms, including 4 minority or women-owned firms.

The RFQ responses were evaluated by a selection panel consisting of:

- Ben Kirwan, CEA Controller
- Anthony Tassone, CEA Financial Reporting Supervisor
- Daniel Ryhal, CEA Financial Reporting Specialist
- Kapil Bhatia, Raymond James & Associates, Inc. (CEA/CWF Independent Financial Advisor)

The RFQ selection process sought to identify the most qualified firms to provide investment management services to the CEA/CWF, and placed an emphasis on recruiting and seeking participation by well qualified firms with diverse and inclusive ownership and/or staffing, consistent with the CEA's overarching commitment to enhanced diversity and inclusion both within CEA and among our vendors.

Based on evaluation of proposals by each panel member, the selection panel ranked the firms that responded to the RFQ. Through review of the proposals, staff believes that the selected firms display robust systems for trading, compliance, reporting, and recovery. In addition, the RFQ panel was confident in the expertise and depth of experience of the selected firms.

The RFQ panel selected and will recommend to CEA's Board, that the CEA be authorized to contract with the following firms:

1. Goldman Sachs Asset Management
2. RBC Global Asset Management
3. Morgan Stanley Investment Management
4. DWS Investment Management Americas, Inc.
5. New England Asset Management, Inc.
6. PFM Asset Management LLC
7. Chandler Asset Management, Inc.
8. LGIM America
9. Payden & Rygel
10. Conning
11. Franklin Templeton
12. Columbia Threadneedle Investments
13. Loop Capital Asset Management
14. Ramirez Asset Management

The CEA Board approved the staff recommendation at the June 25, 2024, board meeting and the selected firms were invited to enter into a contract with the CEA/CWF that was effective June 30, 2024. The duration of these agreements are 5 years, with an option by CEA to extend for 2 additional years. CEA's standard form of Investment Management Agreement provides for the right to terminate upon 30 days written notice, with or without cause. Investment manager's maximum annual compensation will be 4 basis points of CEA assets under management.

Update on RFQ # 02-24: Financial Advisor for CEA and/or CWF

Background:

Raymond James & Associates, Inc. ("Raymond James") has been the CEA's Independent Financial Advisor since 2010, and CWF's Independent Financial Advisor since its inception in 2019. As a result of their most recent contracts expiring at the end of June 2024, CEA issued RFQ: 02-24 on March 1, 2024, for independent financial advisor services.

Given the many facets of CEA's and CWF's business operations, financial structures, and governing statutes; CEA staff believe having all financial-advisory services from a single firm best benefits the CEA and CWF. Due to CEA/CWF requirements, there are a limited number of qualified respondents, and Raymond James was the only respondent to the most recent RFQ.

Analysis:

The team at the CEA advertised this RFQ on the websites of the Wall Street Journal, and Pension and Investments. The staff of the CEA believes the RFQ was advertised in a manner that would provide the most visibility for the RFQ. An earlier RFQ (RFQ: 01-24 for Investment Managers for CEA and/or CWF) was advertised on the same websites and the CEA received proposals from 41 investment managers.

After the deadline for responses had passed, CEA received a proposal from only one proposer: Raymond James.

The RFQ response was evaluated by a panel consisting of expert CEA staff:

Tom Hanzel:	Chief Financial Officer
Ben Kirwan:	Controller
Tracy Palombo:	Reinsurance & Risk Transfer Director

The CEA's General Counsel does not see any legal risk or concerns with CEA/CWF going forward and contracting with Raymond James for the provision of these services. CEA's interim CEO has also approved the proposed contract with Raymond James.

The staff recommended to CEA's Board at the June 25, 2024, board meeting the firm of Raymond James to continue its skilled work as CEA's independent financial advisor.

The Board approved the staff recommendation, and the CEA and Raymond James negotiated mutually agreeable terms and executed contracts for the provision of financial advisory services for both the CEA and CWF.

Financial Advisor: Duties and Compensation

For the Council's information, key independent financial advisor duties are summarized below:

- Contract term: Five years, with an option by CEA to extend for two additional years.
- Services to be provided:
    - Monitor capital markets and U.S. and worldwide financial developments, providing regular and as-needed updates to CEA/CWF.
    - Assist CEA and its Council in revising CWF Investment Policies and Guidelines to reflect current law, market, credit, and liquidity issues.
    - Make recommendations and assist CEA staff in securing legislative changes with respect to optimizing financing techniques, methods, and changes related to the CWF's financial stability.
    - Provide comments, analysis, and advice on proposals (RFQs/RFPs, etc.) for financial services-related vendors and consultants.
    - Assist CWF in forecasting cash needs for a post-utility-caused wildfire scenario and to develop an investment-liquidations strategy that would result in the least amount of realized losses to the CWF.
- First year fees for general and financial advisory services are $294,000 for the period July 1, 2024 – June 30, 2025. Each year thereafter, their fees will increase by 2% for inflation.
    - Raymond James' travel expenses will be billed (with proof of receipt) on an actual basis in accordance with CEA's travel rates and travel policies.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

August 12, 2024

Agenda Item 09: Informational Presentation

Recommended Action: No action required – Information only

San Diego Gas & Electric Senior Counsel Laura Fulton will provide an overview presentation on San Diego Gas and Electric's wildfire mitigation activities.