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February 2, 2023

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Date of Notice: January 23, 2023

Amended January 25, 2023: Numbering Format Corrected

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.

Pursuant to Senate Bill 189, enacted June 30, 2022, which amended certain provisions of the Bagley-Keene Open Meeting Act through and until July 1, 2023, the Council is authorized to use teleconferencing to conduct its public meetings and to make public meetings accessible telephonically. **This meeting will be conducted by teleconference only.** None of the locations from which the Council members will participate will be open to the public.

DATE: February 2, 2023

TIME: 3:00 p.m.

TELECONFERENCE ACCESS:

Online Access: <https://us02web.zoom.us/j/87653016292>

Dial-in Number: +1 (669) 900-6833

Enter Access Code: 876 5301 6292

Public Participation: The telephone lines and Zoom links of members of the public who dial into the meeting to observe or comment will initially be muted to prevent background noise from inadvertently disrupting the meeting. Phone lines and Zoom links will be unmuted upon request during all portions of the meeting that are appropriate for public comment. Please see additional instructions below regarding Public Participation Procedures.

NOTES: Neither the Council nor the California Earthquake Authority, as Administrator of the Wildfire Fund, are responsible for technical difficulties that may occur with the Zoom platform or audio feed.

Please also 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 use the phone access, and you can download any presentation materials used during the meeting at the website for the California Wildfire Fund www.cawildfirefund.com.

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

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 press *9 on their phone or use the “Raise Hand” button on Zoom. Either of these actions 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 during the meeting will be deemed to indicate your consent to the recording and all future use and distribution of the recording.

ACCESSIBILITY FOR DISABLED PERSONS: Persons who, due to a disability, need assistance in order to participate in this meeting should, prior to the meeting, contact CEA’s ADA Coordinator either by phone by dialing (916) 661-5400, or by e-mail addressed to EEO@calquake.com and sjohnson@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. Persons with disabilities may request special accommodations at this or any future Council meeting or may request the accommodation necessary to receive agendas or materials prepared for Council meetings. Please contact Susan Johnson by telephone, toll free, at **(877) 797-4300** or by email at sjohnson@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

MEETING MATERIALS: A copy of this Notice and Agenda has been posted on the website of the California Wildfire Fund (Wildfire Fund), at the following link:

<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.

AGENDA

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

Governor	Paul Rosenstiel, Public Member appointed by the Governor
Treasurer	Rhoda Rossman, Public Member appointed by the Governor
Insurance Commissioner	Catherine Barna, Public Member appointed by the Governor
Secretary for Natural Resources	
Rich Gordon, Appointee of the Speaker of the Assembly	
Kathleen Ritzman, Appointee of the Senate Rules Committee	

Establishment of a quorum

2. Minutes: Review and approve the minutes of the October 27, 2022, meeting of the Council.
3. Executive Report: CEA Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.
4. Administrator Evaluation: Mr. Pomeroy will ask the Council to appoint 2 members to the informal Administration Evaluation Committee for the purpose of preparing the evaluation of CEA as the Wildfire Fund Administrator for 2022.
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, 2022.
6. California Wildfire Fund 2023 Budget: Mr. Hanzel will seek approval of the proposed 2023 California Wildfire Fund Budget.
7. Claims Administration Update: CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson will provide an update on Claims Administration.
8. Enterprise Risk Management: CEA Chief Risk & Actuarial Officer Shawna Ackerman will deliver a quarterly report on the Enterprise Risk Management program for the Wildfire Fund.
9. Informational Presentation: Edison International Vice President of Enterprise Risk Management and General Auditor David Heller and Senior Vice-President of Asset Planning and Strategy Erik Takayesu will provide an informational presentation on Southern California Edison'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 request that matters be placed on a future agenda.
11. Adjournment.

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>



California Catastrophe Response Council Memorandum

February 2, 2023

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of October 27, 2022 Meeting

Attached is a draft of the minutes of the October 27, 2022, meeting of the California Catastrophe Response Council. CEA staff has reviewed these minutes and believe they accurately summarize and document the matters discussed and actions taken by the Council at that meeting. CEA staff recommends approval and adoption of the draft minutes as the official record of the October 27, 2022 meeting of the Council.

DRAFT
California Catastrophe Response Council Meeting Minutes

Teleconference Meeting
Thursday, October 27, 2022
2:00 p.m.

Members of Council in Attendance:

Richard Gordon, Vice-Chair, appointee of Speaker of the Assembly
Kasey O'Connor, designee of State Treasurer Fiona Ma
Michael Martinez, designee of Insurance Commissioner Ricardo Lara
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot
Kathleen Ritzman, appointee of the Senate Rules Committee*
Paul Rosenstiel, Public Member
Rhoda Rossman, Public Member
Catherine Barna, Public Member

*Member Kathleen Ritzman joined after establishment of a quorum and after approval of the Minutes.

Members of CEA Staff in Attendance: (Listed in order of appearance)

Glenn Pomeroy, Chief Executive Officer
Tom Hanzel, Chief Financial Officer
Tom Welsh, General Counsel
Dr. Laurie Johnson, Chief Catastrophe Response & Resiliency Officer
Shawna Ackerman, Chief Risk and Actuarial Officer
Susan Johnson, Governance Liaison

Speakers:

Kapil Bhatia, Raymond James

1. Quorum: Call to Order and Member Roll Call

Vice-Chair Richard Gordon called the meeting, held via Zoom, to order at 2 p.m.

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

2. Minutes: Review and approve minutes of the July 28, 2022 meeting of the Council.

MOTION: Ms. Barna motioned to approve the July 28, 2022 meeting minutes as written. Ms. O'Connor seconded. The motion carried unanimously by roll call vote.

3. Executive Report: CEA Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.

CEA Chief Executive Officer Glenn Pomeroy reported to the Council that the administration of the Wildfire Fund is going well, noting that progress has been made in the development of claims administration procedures and the enterprise risk management scorecard. While the Wildfire Fund has been in existence, California has experienced six of the seven largest wildfires in the state's history. Four years in, it has been beneficial to have this time for preparation.

Mr. Pomeroy also reported that he had spoken with Assemblymember Chris Holden, primary author of AB 1054, legislation that created the Wildfire Fund, about the members of this Council, the seriousness with which they take the assignment and the breadth of expertise they have. Asm. Holden was very appreciative and conveyed a message of thanks to the Council.

4. Proposed 2023 Council Meeting Dates: Mr. Pomeroy will seek approval of the proposed 2023 Council meeting dates.

Mr. Gordon stated that the proposed schedule had the Council meeting quarterly on the first Thursday of the month.

Ms. Barna stated that she had a standing commitment on the first Thursdays at 2:00, but 3:00 would work for her.

MOTION: Mr. Cash motioned to approve the proposed meeting schedule with the adjustment that meetings would begin at 3:00 p.m. rather than 2:00 p.m. Ms. Barna seconded. There was no public comment. The Motion carried unanimously by roll call vote.

5. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of September 30, 2022.

CEA Chief Financial Officer Tom Hanzel reported that the Wildfire Fund's balance sheet continues to be financially strong and that from a financial standpoint, the administration of the Wildfire Fund is consistent with the intent of the enabling legislation. The new accounting/analytics software, previously approved by the Council, is now fully deployed and has helped his team considerably.

The Wildfire Fund's biggest financial headwind is the inflationary environment. The Fund has experienced unrealized losses in its fixed income portfolio because of those inflationary pressures and as a result of the Federal Reserve's efforts to control inflation by raising rates. He also reported that the Wildfire Fund's personnel expenses are down.

Ms. Rossman stated that she was impressed by the reduction in personnel expenses. Mr. Hanzel responded that it is a team effort, adding that not yet having any claims against

the fund and building the infrastructure were reasons for the reduction. We are trying to make this as efficient as possible.

Mr. Hanzel then reviewed the Statements of Revenues, Expenses, and Changes in Net Position:

- Non-bypassable charges are materially up from the prior year. Effective January 1, 2023 the non-bypassable charges will come down and by the end of 2023, the goal is to be at the normalized \$902 million per year of collection rate.
- Investment income is up 17-18%, driven by the reinvestment rate of our funds.
- The \$2 billion SMIF loan from the State for the start-up funds will be fully repaid in April 2023.

Mr. Hanzel reviewed the approved 2022 budget versus actual expenditures noting that Contracted Consulting Services are up from the prior year as consultants were brought in to finalize the work done on the claims side. He also noted the \$332,000 allocated from CEA primarily for the new investment software.

The Wildfire Fund will continue to collect non-bypassable charges monthly and staff will continue to work with the IOUs in the next month to ensure their annual contributions of \$300 million combined are received in late December.

Kapil Bhatia of Raymond James, the Wildfire Fund's Financial Advisor and Investment Consultant, then addressed the larger economic landscape. He noted that the high inflation rate of over 8% from August to September is expected to continue at least until the early to middle of 2023. However, the U.S. is still expanding, and the GDP increased at a rate of 2.6% during the third quarter, adding that trade has improved and some of the supply chain problems have been getting resolved. The U.S. added 1.1 million jobs during the third quarter and unemployment remains low at 3.5%.

To manage inflation, the Federal Reserve has increased the federal funds target rate five times this year by a total of 3.00% to the current target of 3.00%-3.25%, an exponential increase. We expect that the second rate increase in December will be 50 basis points. By the end of 2023 or the first quarter of 2024, we expect the fed funds rate to be down to almost 3.00%.

Mr. Bhatia stated that these rate increases have led to a significantly sharp upswing in the interest rate, as the market was not anticipating the level and pace of rate increases by the Federal Reserve. There were many unexpected changes in 2021 which allowed inflation to take hold, and the unanticipated Russian invasion of Ukraine added 30%-40% of inflation for energy prices. The dramatic increase in interest rates has inverted the yield curve – the short end is higher than the long end.

He then used the yield curve inversion to explain why the country is going to have an economic recession. Mr. Bhatia compared the Wildfire Fund's yield curves of September

2021 and 2022. As interest rates started to creep up, we reduced the duration of the Fund's portfolio from 3.9 years to 3.2 years, which is about 18% over the last 12 months. That allows us to try to maximize investment income as well as remove some of the interest rate risk as we go forward and wait for rates to stabilize so we can take advantage of reinvestments.

The investment portfolio is front-loaded with approximately \$1.2 billion maturing over the next six months, \$900 million maturing over six to twelve months, and an additional \$3.1 billion maturing between one and three years. Over the next twelve months we can take advantage of the higher rates. Mr. Bhatia explained that as the investment duration has decreased in the portfolio over the last twelve months the income return is moving up as those securities are reinvested.

Mr. Bhatia expects the Federal Reserve rate increases will stabilize in 2023. As of September 30, 2022, the Wildfire Fund's total portfolio market value stood at \$9.57 billion, compared to \$9.83 billion as of September 30, 2021. Overall, the Fund's portfolio, composed of 30% corporate bonds and 68% U.S. Treasury and government securities, is stable. Unrealized losses will decrease over time as the bonds in the fund mature and the bond proceeds are reinvested in a rising interest rate environment. Over the next twelve rolling months approximately \$15 million of additional investment income is expected for a total investment income of around \$215 million.

Discussion

Mr. Rosenstiel asked if the portfolio has enough funds to pay future, potential claims against the Wildfire Fund and what kind of claims-paying experience would we have before we need to start selling some of the securities before they mature?

Mr. Bhatia replied that the portfolio is front-loaded with about \$200 million maturing each month, so it can be used as needed to pay claims over time. Based on the earthquake and hurricane experiences, we will have no unrealized losses because it usually takes two to three years to make the claims' overall payments

Ms. Rossman noted that the Wildfire Fund's portfolio is earning more but not keeping up with inflation in the underlying risks that the Wildfire Fund covers. California property values and home reconstruction costs are rising. While the Fund's investment income is up, that income growth is not increasing in proportion to the Fund's liability growth. What inflation should we look at?

Mr. Hanzel responded that we are keeping a close eye on exactly what Ms. Rossman was saying. Price appreciation is 10%-11% in California currently, definitely greater than the broad CPI. We are aware of the erosion and it goes into our thinking on both investment strategy and the evaluation of Fund durability.

Mr. Bhatia added that while currently no fixed income funds are keeping up with inflation, the Wildfire Fund will see its unrealized losses declining in the future as inflation comes

under control and the economy improves. He concluded by stating that the Wildfire Fund is well positioned to pay future potential claims.

There was no public comment.

6. Conflict-of-Interest Code Amendment: CEA General Counsel Tom Welsh will seek approval of amendments to the Council's Conflict-of-Interest Code pursuant to Cal. Gov. Code § 18730.

CEA General Counsel Tom Welsh stated that this was largely an administrative action. At the end of 2019 and early 2020, staff had prepared a Conflict of Interest Code to ensure that the Council as a state body remains in compliance with the state requirement that state bodies have such codes. The amendments today align the Code with the actual functions and duties being conducted for the benefit of the Wildfire Fund and the Council.

Staff is seeking approval from the Council of the proposed revisions to the Conflict of Interest Code, and to authorize CEA staff to take the necessary regulatory measures to finalize the revisions to the Code.

MOTION: Ms. Rossman motioned to accept the language given by Mr. Welsh relative to the action to be taken. Mr. Martinez seconded. The Motion carried unanimously by roll call vote.

Mr. Welsh stated that once the Code goes through the rest of the regulatory process, which includes working with the FPPC to get approval and going through the Office of Administrative Law for public comment, staff will provide the Council with a copy.

7. Claims Administration Update: CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson will provide an update on Claims Administration.

CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson stated that since the Council last met on July 28, they had been notified of two fires in which the utilities submitted Electric Safety Incident reports to the CPUC. PG&E released their latest quarterly SEC filing in which they noted a potential loss for the Mosquito Fire of \$100 million.

Dr. Johnson observed that for recent weeks on end, there have been no incidents reported on the CAL FIRE Incident Report page.

Staff continues to track the major fires that may reach the level of accessing the Wildfire Fund:

- The Kincade Fire in July 2020 has estimated losses of \$950 million.
- The Zogg Fire in September 2020 has estimated losses of \$375 million.

- The Dixie Fire in July 2021 has estimated losses in excess of \$1 billion with a potential recovery sought from the Wildfire Fund of \$150 million. Fire suppression costs were \$650 million. 685,000 acres of National Forest burned and 70,000 acres of National Park were impacted. As part of an expedited settlement payment program for the cities and counties involved, PG&E is reporting payments of over \$30 million as of this quarter. In addition, PG&E has 54 complaints on behalf of 1,444 plaintiffs with a trial date set for June 5, 2023, an indicator of how early PG&E is in this process of settling litigation and claims.

Lastly, Dr. Johnson reported that the Wildfire Fund continues working with Sedgwick Claims Management Services as it works to build out the claims administration procedures, including the claims data management infrastructure, operations manual, quality control procedures, personnel plan and training, and testing of the entire approach.

8. Enterprise Risk Management: CEA Chief Risk & Actuarial Officer Shawna Ackerman will deliver a quarterly report on the Enterprise Risk Management program for the Wildfire Fund.

CEA Chief Risk & Actuarial Officer Shawna Ackerman stated that staff has completed the integration of the risks associated with the administration of the Wildfire Fund into our existing ERM framework. Staff will be issuing a quarterly scorecard highlighting the key risks. This quarter's report made note of two items:

- The Information Security Team's continued enhancement of the CEA staff training and awareness has led to the successful renewal of the cybersecurity insurance program at a premium lower than expected.
- Southern California Edison's Wildfire Mitigation Plan Update for 2022 was approved by the Office of Energy and Infrastructure Safety (OEIS) in July. OEIS has released a draft decision for PG&E's update with the public comment period open until November 7.

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 was no public comment.

10. Adjournment

There being no further business, Mr. Gordon adjourned the meeting at 2:57 p.m.



California Catastrophe Response Council Memorandum

February 2, 2023

Agenda Item 3: Executive Report

Recommended Action: No action required – Information only

CEA Chief Executive Officer Glenn Pomeroy will present his Executive Report to the California Catastrophe Response Council.



California Catastrophe Response Council Memorandum

February 2, 2023

Agenda Item 4: Administrator Evaluation

Recommended Action: Appoint Council Members to Informal Evaluation Committee

Mr. Pomeroy will ask the California Catastrophe Response Council to appoint two members to the informal Administrator Evaluation Committee for the purpose of preparing the evaluation of CEA as the Wildfire Fund Administrator for 2022.



California Catastrophe Response Council Memorandum

February 2, 2023

Agenda Item 5: Financial Report

Recommended Action: No action required – Information only

CEA Chief Financial Officer Tom Hanzel will provide the California Catastrophe Response Council with a financial report on the Wildfire Fund as of December 31, 2022 and 2021.



FINANCIAL REPORT

December 31, 2022

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	December 31, 2022	December 31, 2021
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 632,630,881	\$ 494,362,365
Investments	9,478,138,463	9,825,798,581
Total cash and investments	10,110,769,344	10,320,160,946
Interest receivable	45,744,825	41,548,352
Securities receivable	26,972,364	-
Prepaid expenses	-	166,667
Total assets	\$ 10,183,486,533	\$ 10,361,875,965
Liabilities and Net Position		
Securities payable	\$ 96,965,250	\$ 94,001,434
SMIF loan interest payable	2,260,507	7,249,589
Accounts payable and accrued expenses	1,382,005	1,836,775
Related party payable - CEA	216,268	363,631
Total liabilities	100,824,030	103,451,429
Net position:		
Restricted for CWF	10,082,662,503	10,258,424,536
Total net position	10,082,662,503	10,258,424,536
Total liabilities and net position	\$ 10,183,486,533	\$ 10,361,875,965

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

UNAUDITED

	Year Ended December 31, 2022	Year Ended December 31, 2021
Additions to fund assets:		
Rate payer monthly NBCs	\$ 1,116,593,213	\$ 875,076,565
Utility contributions	<u>300,000,000</u>	<u>300,000,000</u>
Total contributions	1,416,593,213	1,175,076,565
Investment income & expenses	122,499,341	96,843,115
Change in unrealized gain/(loss)	<u>(855,943,140)</u>	<u>(258,107,101)</u>
Net investment income	(733,443,799)	(161,263,986)
Total additions to fund assets	<u>683,149,414</u>	<u>1,013,812,579</u>
Deductions to fund assets:		
SMIF loan principal payments	840,000,000	840,000,000
SMIF loan interest expense	16,348,916	36,106,944
General and administrative expenses	2,100,489	2,107,109
Personnel expenses	<u>462,042</u>	<u>758,945</u>
Total deductions to fund assets	<u>858,911,447</u>	<u>878,972,998</u>
Increase/(decrease) in net position	(175,762,033)	134,839,581
Net position, beginning of year	<u>10,258,424,536</u>	<u>10,123,584,955</u>
Net position, end of period	<u><u>\$ 10,082,662,503</u></u>	<u><u>\$ 10,258,424,536</u></u>

Contributions & NBCs Received

**California Wildfire Fund
Contributions & NBCs Received
As of December 31, 2022**

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
Total Contributions		10,700,000,000
1. 2021 NBC funds received	12-months of 2021	875,076,565 *
2. November 2021 NBC funds	1/10/2022	76,880,056
3. December 2021 NBC funds	2/10/2022	72,253,134
4. January 2022 NBC funds	3/7/2022	64,527,643
5. February 2022 NBC funds	4/7/2022	78,912,451
6. March 2022 NBC funds	5/10/2022	72,132,388
7. April 2022 NBC funds	5/27/2022	85,856,764
8. May 2022 NBC funds	6/27/2022	87,030,948
9. June 2022 NBC funds	7/27/2022	79,283,386
10. July 2022 NBC funds	8/26/2022	89,546,426
11. August 2022 NBC funds	9/30/2022	107,385,045
12. September 2022 NBC funds	10/31/2022	107,894,176
13. October 2022 NBC funds	12/1/2022	104,953,584
14. November 2022 NBC funds	12/29/2022	89,937,212
Total NBCs		1,991,669,778
Total Funds Received		<u><u>\$ 12,691,669,778</u></u>

Note 1:

Amounts highlighted in blue represent funds received subsequent to the October 27, 2022 CCRC meeting.

Note 2:

NBC funds received by CWF in 2022 are net of DWR administrative and operating expenses of \$5.5mm. The \$5.5mm is made up of \$4.3mm of DWR A&O expenses paid from Nov'21 through Nov'22 and \$1.2mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

* NBC funds received by CWF in 2021 are net of DWR administrative and operating expenses of \$9.4mm. The \$9.4mm is made up of \$5.9mm of DWR A&O expenses paid from Oct'20 through Oct'21 and \$3.5mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

Investment Analysis

**California Wildfire Fund
 CWF Portfolio Overview
 12/31/2022**

December 31, 2022

The CWF's total portfolio market value for December 2022 was \$10.08 billion with an average duration of 2.9 years and average credit ratings of "AA-".

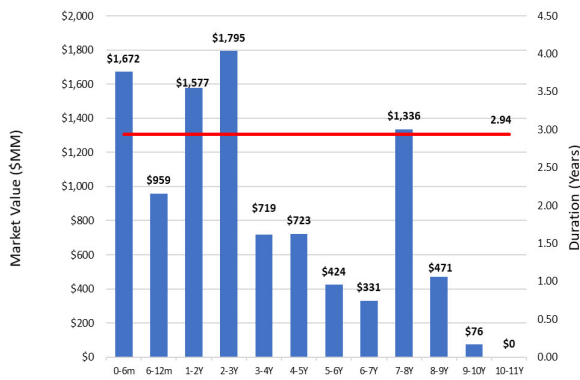
CWF Investment Portfolio as of December 31, 2022				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,787	57.4%	AA+	2.1
U.S. Agency & Supranational	\$ 1,053	10.4%	AA+	2.1
Corporates	\$ 3,115	30.9%	A	4.6
U.S. TSY MMF	\$ 128	1.3%	AAA	0.0
Total	\$ 10,083	100.0%	AA-	2.9

December 31, 2021

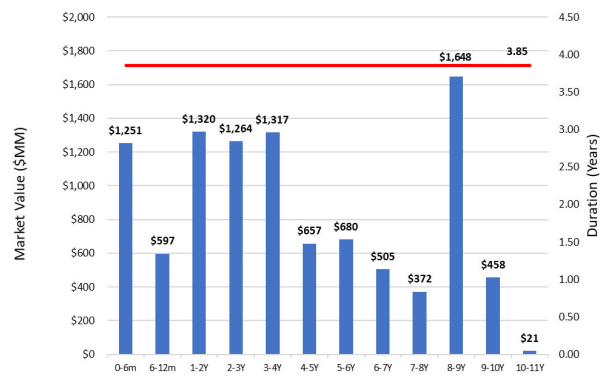
The CWF's total portfolio market value for December 2021 was \$10.09 billion with an average duration of 3.9 years and average credit ratings of "AA".

CWF Investment Portfolio as of December 31, 2021				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,782	57.3%	AA+	2.7
U.S. Agency & Supranational	\$ 1,070	10.6%	AA+	4.4
Corporates	\$ 3,232	32.0%	A+	5.9
U.S. TSY MMF	\$ 5	0.0%	AAA	AAA
Total	\$ 10,090	100.0%	AA	3.9

CWF Maturity Distribution: Dec 31, 2022



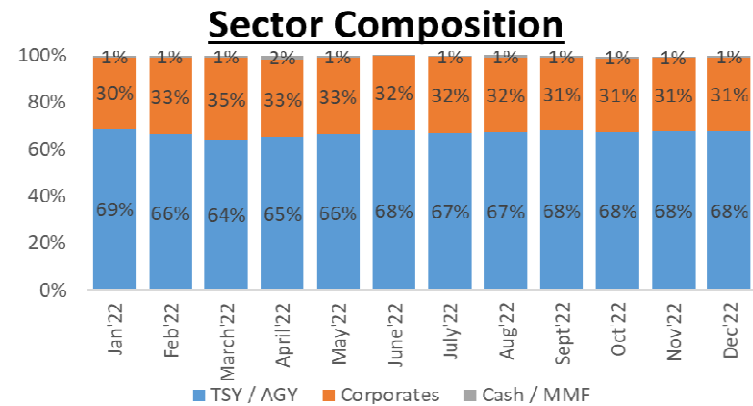
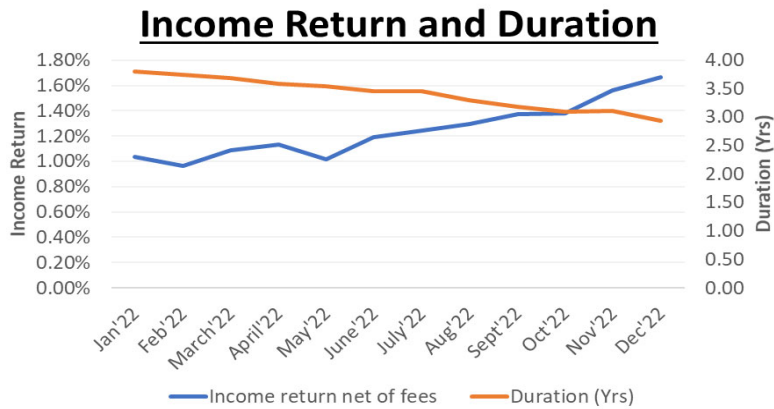
CWF Maturity Distribution: Dec 31, 2021



**California Wildfire Fund
CWF Portfolio 12-Month History
12/31/2022**

CWF Investment Portfolio Overview												
	Jan'22	Feb'22	March'22	April'22	May'22	June'22	July'22	Aug'22	Sept'22	Oct'22	Nov'22	Dec'22
Total Portfolio												
Market Value - Cash & Investments (\$MM)	\$10,126	\$10,099	\$9,829	\$9,623	\$9,909	\$9,749	\$9,826	\$9,731	\$9,550	\$9,542	\$9,693	\$10,111
Investment income (\$MM) *	9.14	8.49	9.36	9.51	8.61	10.09	10.45	10.89	11.33	11.27	12.83	14.07
Change in unrealized gain/(loss) (\$MM)	(146.77)	(70.39)	(212.35)	(198.73)	56.66	(99.44)	136.38	(177.51)	(228.17)	(38.82)	152.47	(29.26)
Investment management fees and bank fees (\$MM)	0.34	0.34	0.33	0.33	0.33	0.33	0.33	0.33	0.32	0.27	0.32	0.34
fees as a % of average AUM	0.0033%	0.0033%	0.0033%	0.0034%	0.0034%	0.0034%	0.0034%	0.0033%	0.0033%	0.0028%	0.0034%	0.0034%
Income return gross of fees	1.07%	1.01%	1.13%	1.17%	1.06%	1.23%	1.28%	1.34%	1.41%	1.42%	1.60%	1.70%
Income return net of fees	1.03%	0.97%	1.09%	1.13%	1.02%	1.19%	1.24%	1.30%	1.37%	1.38%	1.56%	1.66%
Yield to Maturity	1.47%	1.67%	2.28%	2.81%	2.73%	3.13%	2.98%	3.52%	4.26%	4.59%	4.38%	4.48%
Duration (Yrs)	3.80	3.75	3.68	3.58	3.54	3.45	3.46	3.30	3.18	3.09	3.11	2.94
Portfolio Composition (%)												
TSY / AGY	69%	66%	64%	65%	66%	68%	67%	67%	68%	68%	68%	68%
Corporates	30%	33%	35%	33%	33%	32%	32%	32%	31%	31%	31%	31%
Cash / MMF	1%	1%	1%	2%	1%	1%	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)



Cost Allocation

California Wildfire Fund
 Cost Allocation Methodology and Calculation for the Years Ended December 31, 2022 and 2021
 12/31/2022

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 Years Ended Dec'22 and Dec'21.

Department	Year Ended Dec'22		Year Ended Dec'21		CWF Salary & Benefit costs =	Dec'22	Dec'21
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	226.8	24,250	283.7	26,079		412,080 A	715,423
2. Exec	256.8	61,436	388.4	91,215		25,945,766 B	26,002,314
3. Finance	1,395.8	142,216	2,590.6	228,481		26,357,846 C	26,717,737
4. IT	51.0	5,101	120.0	9,450			
5. Internal Ops	9.0	1,597	54.0	7,464			
6. Insurance Ops	341.2	67,071	727.7	132,331			
7. Legal	1,014.2	110,409	1,720.6	220,403			
Total Direct Hours/Costs	3,294.7	412,080	5,885.0	715,423			
					Allocation % =	1.56% = A/C	2.68%

All other indirect costs were allocated to the CWF based on the 1.56% and 2.68% allocations noted above. The following indirect expenses were charged to the CWF:

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	19,448	36,139
Rent-Office Equip/Furniture	86450-16	725	2,185
Building Maintenance and Repairs	86475-16	381	797
Furniture/Equipment <\$5000	86500-16	72	-
EDP Hardware <5000	86505-16	4,100	4,333
EDP Software <5000	86506-16	49,291	80,304
Office Supplies	86510-16	223	917
Postage	86530-16	0	88
HR and IT staff allocation	85101-16	39,962	32,528
GASB 68 Pension Expense	85141-16	10,000	10,994
Telecommunications	86550-16	3,397	9,208
Insurance Expense	86600-16	10,767	16,600
Other Administration Services	88175-16	1,235	2,471
Direct Investment Technology Support	89805-16	369,793	177,956
Total Indirect Costs		509,394	374,520
Total Costs		921,474	1,089,943



California Catastrophe Response Council Memorandum

February 2, 2023

Agenda Item 6: 2023 CWF Proposed Budget

Recommended Action: Approve the Proposed CWF 2023 Budget and Direct Staff to Operate CWF Business Operations within the Total Approved Budget Amounts

Background:

Since inception, CEA has been able to utilize its existing resources to undertake and perform all its Administrator responsibilities and has avoided adding permanent staffing. This is the third submission of an annual CWF budget presented to the California Catastrophe Response Council (CCRC) for approval. The staff of the CEA will perform the following procedures on the final CCRC approved budget for fiscal year 2023¹:

- After each month-end close, the staff of the CEA will compare actual additions and deductions to budgeted additions and deductions, document variances and send the comparisons to the Controller and CFO for approval.
- In mid-August 2023, the finance budget team will update the consolidated budget projections with the most recent data provided from the departments' monthly projection schedules. After the mid-year budget revision is approved by the CFO, the finance budget team will prepare the mid-year budget revision CCRC memo and supporting documents. All budget augmentations (increases) must be approved by the CCRC. If the mid-year budget revision does not increase the total budget, the budget revision will be presented to the CCRC without a request for approval.
- At each quarterly CCRC meeting, the staff of the CEA will present the budget to actual comparisons for each of the line items included in the CCRC approved budget.

¹ The CWF fiscal year is the calendar year.



Analysis:

Staff have prepared Attachment A to assist the CCRC in comparing and analyzing the proposed 2023 budget for the Wildfire Fund. This attachment shows the following:

- Proposed 2023 CWF Budget
- CCRC approved Budget for 2022
- Difference between the 2023 CWF proposed budget to the actual activity for the year ended December 31, 2022
- 2022 CCRC approved Budget

Recommendation:

Staff recommends the following CCRC actions:

- Approve the proposed 2023 CWF budget; and
- Direct staff to operate CWF business operations within the total approved budget amounts.

California Wildfire Fund
2023 Proposed Budget vs 2022 Actual Activity

	A	B	A - B	
	Proposed 2023 Budget	Actual Activity for the Year Ended December 31, 2022	Difference	Approved 2022 Budget
Additions to fund assets:				
Rate payer monthly NBCs, gross	\$ 880,310,800	\$ 1,120,906,791	\$ (240,595,991)	\$ 989,871,059
Utility annual contributions	300,000,000	300,000,000	-	300,000,000
Investment income (net of expenses)	213,439,076	122,499,341	90,939,735	104,053,321
Total additions to fund assets	\$ 1,393,749,876	\$ 1,543,406,132	\$ (149,656,256)	\$ 1,393,924,380
Deductions to fund assets:				
SMIF - principal payment	\$ 250,000,000	\$ 840,000,000	\$ (590,000,000)	\$ 840,000,000
SMIF - loan interest	1,093,877	16,348,916	(15,255,039)	16,344,411
DWR administrative and operating costs	5,240,881	4,313,578	927,303	5,132,992
<i>Personnel expenses:</i>				
Personnel expenses - allocated from CEA	660,000	462,042	197,958	935,900
<i>General and administrative expenses:</i>				
Other contracted services	451,428	1,100,779	(649,351)	1,500,200
Direct legal services-general	150,000	17,542	132,458	255,000
Financial services consulting	285,402	278,436	6,966	278,442
Bank fees	243,546	237,609	5,937	240,583
G&A expenses - allocated from CEA	523,400	459,432	63,968	555,333
Travel	19,110	513	18,597	5,000
Software and licenses	1,200	844	356	6,000
Direct IT services	1,200	-	1,200	12,000
Audit Fees	4,000	4,000	-	4,000
Printing & stationary	600	-	600	600
Governing board meeting expenses	1,800	1,334	466	1,200
<i>Total general and administrative expenses</i>	<i>1,681,686</i>	<i>2,100,489</i>	<i>(418,803)</i>	<i>2,858,358</i>
Total deductions to fund assets	\$ 258,676,444	\$ 863,225,025	\$ (604,548,581)	\$ 865,271,661
<i>Change in unrealized gain/(loss)</i>	-	(855,943,140)	855,943,140	-
Increase/(decrease) in net position	\$ 1,135,073,432	\$ (175,762,033)	\$ 1,310,835,465	\$ 528,652,719

* - The change in unrealized gain/(loss) is not budgeted for CWF



California Catastrophe Response Council Memorandum

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Agenda Item 7: Claims Administration Update

Recommended Action: No action required - Information only

Background

The California Catastrophe Response Council (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 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 (Fund) within the framework established by law and in accordance with the Procedures approved by the Council.

Implementation of the Claims Administration Procedures

Sedgwick is nearing completion of the scope of work for Phase 1 of its contract. The claims review services provider's scope of work is divided into two phases:

- Phase 1 – Claims Review Readiness, focuses on building out the infrastructure and completing the preparations necessary for the successful and timely execution of the Administrator's claims review process. This includes development of an Operations Manual; the data management infrastructure for claims intake, review, and reporting; a statistical approach to the claims review process; quality control procedures; and a claims review personnel plan and training program. The work



plan is intentionally iterative so that the full operational approach will be mapped out, then tested before finalization.

- Phase 2 - Delivery-on-Demand of Claims Review Services, will extend up to 3 years, with an option to extend the contract up to 5 years from the date of execution. Work will include development and execution of an implementation plan for the on-demand claims review services. A maintenance services plan will also be developed to ensure that, if claims are not submitted for an extended period of time over the life of the contract, the claims review personnel and infrastructure will remain trained and ready to provide on-demand claims review services whenever claims are submitted.

Sedgwick is on track to complete the Phase 1 work in February 2023. Sedgwick is finalizing the claims review Operations Manual and quality control plan, and testing the operational approach for claims review services, including the data management structure and claims review forms for the Threshold Claims and Eligible Claims review processes.

The Administrator and Sedgwick have also been reviewing the Claims Administration Procedures, adopted by the Council in July 2021, and preparing draft amendments to the Procedures to ensure consistency between the Procedures and the more detailed operational approach developed during the Phase 1 work. The Administrator will be submitting the draft amendments to the Council for their consideration and potential adoption at the next Council meeting on May 4, 2023.

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, 2020, 2021 and 2022 coverage years.

There is little change in the status of potentially Covered Wildfires since the Administrator's report at the October 27, 2022 Council meeting. Reported losses, in aggregate, for the 2019 and 2020 coverage years for each of the three Participating Utilities have not yet exceeded the current \$1 billion threshold necessary for any of the Participating Utilities to make a claim on the Fund. The Administrator continues to monitor the reported losses for two major fires—the October 2019 Kincade Fire and the September 2020 Zogg Fire.



For the 2021 coverage year, the Administrator is monitoring the reported losses for the July 2021 Dixie Fire, in particular. PG&E's 10-Q report to the Securities and Exchange Commission (SEC) for the quarterly period ending September 30, 2022 estimates potential aggregate liability for the 2021 Dixie Fire of \$1.15 billion with a potential recovery of \$150 million from the Fund. The Administrator continues to closely monitor PG&E's 2021 losses and plan for the potential submission of claims.

Next Steps

Staff from CEA will report on the status of work by the claims review services provider during this Council meeting.



California Catastrophe Response Council Memorandum

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Agenda Item 8: Enterprise Risk Management Program

Recommended Action: No action required – Information only

Risk Reporting

The 1st quarter 2023 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 Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
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 confidence in the ability of the Wildfire Fund to meet its objectives	● Medium	● Strong	● Low
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



Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
Claims Management	Issues, conflicts, or delays arising from or associated with IOU claims management	● High	● Medium	● Medium
Business Continuity	Loss of business systems causing limited or delayed continuity of the California Wildfire Fund essential business functions	● Medium	● Medium	● Medium

Additional Comments on Priority Risks

Business Continuity Update

While the COVID-19 pandemic provided an unwelcome opportunity for a successful test of the CEA’s Business Continuity Program, CEA continues to build out and refine the Emergency Management and Business Continuity Programs. In 2022, the Business Continuity team gathered data from each business unit to develop an updated Business Impact Analysis (BIA). The BIA identifies essential business functions, processes and impacts to them following specific disruptions. In addition, a new Business Process Analysis (BPA) was conducted which is a more granular view of the essential processes identified in the BIA and includes a risk assessment for the likelihood of failure, key dependencies and workarounds.

These new and updated analyses are key components of a robust Business Continuity Program along with the existing Mission Essential Functions and Orders of Succession and Delegations of Authority (OS&DA) which are reviewed annually. The scope of the latter establishes Orders for Succession of the Executive Branch and Business Units in the event of unplanned vacancies. It also establishes Delegations of Authority to provide Successors the legal authority to act on behalf of the enterprise for specific purposes and to carry out specific duties.

In 2023, the goal for both the Emergency Management and Business Continuity Programs is to build out their functionality by actively engaging with a testing, training and exercise program, and developing a culture for continuous improvement.



Mitigation

As noted above, wildfire mitigation activities are outside the control of the Administrator. However, an awareness of mitigation activities is beneficial in understanding risks to projected Fund durability.

Investor-owned electrical corporations are required to submit Wildfire Mitigation Plans (WMP) assessing their level of wildfire risk and providing plans for wildfire risk reduction. In February 2020 each of the IOU participants in the Fund submitted their three-year 2020 – 2022 WMPs and have submitted annual updates in 2021 and 2022.

As previously reported, The Office of Energy Infrastructure Safety (OEIS) released its evaluations and approvals of San Diego Gas and Electric's (SDG&E) and Southern California Edison's (SCE) 2022 WMP Updates on July 5 and July 20, 2022, respectively.^{1,2}

On November 10, 2022, OEIS released its evaluation and approval of Pacific, Gas and Electric's (PG&E) 2022 WMP Update.³

The evaluation notes that PG&E increased its maturity level in 8 of the 10 broad maturity categories with decreases in asset management and inspections and grid operations and protocols.

The OEIS report identifies areas for continued improvement and required progress. For example, the OEIS report notes that PG&E has not provided a plan for undergrounding locations beyond 2023, does not adequately demonstrate that it is currently prepared to meet its aggressive undergrounding goals and has not demonstrated that undergrounding is risk-spend efficient at the project level when compared to other grid hardening efforts.

The evaluation notes that PG&E has made significant progress over the past year including adding 308 weather stations and meeting its goal of 1,300 weather stations across its service territory. Most of the weather stations (1,025 out of 1,300) can receive

¹ A copy of the complete evaluation is available at [NEWS RELEASE: Energy Safety Approves SDG&E's 2022 Wildfire Mitigation Plan Update | Office of Energy Infrastructure Safety \(ca.gov\)](#)

² A copy of the complete evaluation is available at [Energy Safety Approves SCE's 2022 Wildfire Mitigation Plan Update | Office of Energy Infrastructure Safety \(ca.gov\)](#)

³ [TN11685_20221110T081842_Final_Decision_on_PGE's_2022_WMP_Update.pdf](#)
[TN11760_20221213T141725_PGE_Maturity_Survey_Summary.pdf](#)



weather observations at 30-second intervals which may improve situational awareness and the Public Safety Power Shutoff decision-making process.

The OEIS published the 2023 Wildfire Mitigation Plan Schedule in December 2022.⁴ New WMPs for the three IOUs are due March 27, 2023. These plans will include plans for both 2023 and 2024 as OEIS is changing its evaluation process. To date the electrical corporations have submitted WMPs in the year in which the mitigations occur, the new process requires the electrical corporations to submit plans for the year following the year of submission. Thus, OEIS will review WMPs for both 2023 and 2024 this year to accommodate the shift.

⁴ [TN11750_20221207T144222_2023_WMP_Schedule.pdf](#)



California Catastrophe Response Council Memorandum

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Agenda Item 9: Informational Presentation

Recommended Action: No action required - Information only

Edison International Vice President of Enterprise Risk Management and General Auditor David Heller and Senior Vice-President of Asset Planning and Strategy Erik Takayesu will provide an overview presentation on Southern California Edison's wildfire mitigation activities.