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Date of Notice: Friday, January 15, 2021

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 **teleconference meeting**. 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 Governor Newsom's Executive Order N-29-20, issued March 17, 2020, certain provisions of the Bagley-Keene Open Meeting Act are suspended or waived during the declared State of Emergency in response to the COVID-19 pandemic. Consistent with the Executive Order, in order to promote and maximize social distancing and public health and safety, 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. All members of the public shall have the right to observe the meeting and offer comment at this public meeting as described in this Notice.

DATE: Thursday, January 28, 2021

TIME: 2:00 p.m.

TELECONFERENCE ACCESS: *

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

Enter Access code: 844 7479 7866#

Public Participation: The telephone lines 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 will be unmuted upon request during all portions of the meeting that are appropriate for public comment to allow members of the public to comment. Please see additional instructions below regarding Public Participation Procedures.

*** Neither the Council nor the California Earthquake Authority, as Administrator of the Wildfire Fund, are responsible for unforeseen technical difficulties or connectivity issues that may occur in the audio feed.**

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comment at this public meeting. 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. **At that point, any member of the public wishing to comment must press *9 on their phone.** Pressing *9 will notify the call moderator that you wish to comment, and you will be placed in line to comment in the order in which requests are received by the moderator. When it is your turn to comment, the moderator will unmute your line and announce your opportunity to comment by referencing your telephone number. 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.

In addition, members of the public may submit comments in writing by emailing comments to PublicComment@calwildfire.com.

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@calwildfire.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@calwildfire.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 the Fund's 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	Appointee of the Senate Rules Committee
Treasurer	Public Member Paul Rosenstiel
Insurance Commissioner	Public Member Rhoda Rossman
Secretary for Natural Resources	Public Member Catherine Bando
Appointee of the Speaker of the Assembly	

Establishment of a quorum

2. Minutes: Review and approve minutes of the October 22, 2020 meeting of the Council.
3. Executive Report: CEA Chief Executive Officer, Glenn Pomeroy will provide the Council with an executive report.
4. Wildfire Modeling: CEA Chief Risk & Actuarial Officer Shawna Ackerman, and representatives from AIR, CoreLogic, and RMS will brief the Council on Wildfire Modeling.
5. Administrator Evaluation: Mr. Pomeroy will ask the Council to consider the creation of, and appointment to, an Administrator Evaluation Committee for the purpose of the 2021-2022 Wildfire Administrator evaluation.
6. Claims Administration: Dr. Laurie Johnson, CEA's Chief Catastrophe Response & Resiliency Officer, will present and request adoption of an expanded Summary of Procedures for Wildfire Claims Administration.
7. Non-Bypassable Charges: CEA's General Counsel, Tom Welsh, and Chief Financial Officer, Tom Hanzel, will provide an update on the status and administration of non-bypassable charges currently being collected by the California Department of Water Resources.
8. Financial Report: Mr. Hanzel will provide the Council with a financial report on the Wildfire Fund.
9. California Wildfire Fund 2021 Budget: Mr. Hanzel will seek approval of the proposed 2021 California Wildfire Fund Budget.
10. Tax Status: Mr. Welsh will provide an update on work related to the federal tax status of the Wildfire Fund.
11. Insurance Evaluation: Mr. Welsh and Mr. Hanzel will brief the Council on the Administrator's statutory duty under Public Utilities Code section 3293 to periodically review and make recommendations on the IOUs' wildfire insurance coverage.
12. Public comment: Public Comment opportunity on matters that do not appear on this agenda and requests by the public that matters be placed on a future agenda.
13. 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

January 28, 2021

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of Oct. 22, 2020 Meeting

Attached is a draft of the minutes of the meeting of the California Catastrophe Response Council (Council) held on October 22, 2020. CEA staff has reviewed these minutes and believes that they accurately summarize and document the matters discussed and actions taken by the Council at the meeting. CEA staff recommends approval and adoption of the draft minutes as the official record of the Council meeting of October 22, 2020.

DRAFT
CALIFORNIA CATASTROPHE RESPONSE COUNCIL
MEETING MINUTES

Teleconference Meeting
Thursday, October 22, 2020
2:00 p.m.

Members of the Council in Attendance:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom
Rich Gordon, Vice-Chair, appointee of the Speaker of the Assembly
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot
Michael Martinez, designee of Insurance Commissioner Ricardo Lara
Kasey O'Connor, designee of State Treasurer Fiona Ma
Michael Wara, appointee of the Senate Rules Committee
Catherine Bando, Public Member
Paul Rosenstiel, Public Member
Rhoda Rossman, Public Member

Members of the CEA Staff in Attendance:

Glenn Pomeroy, Chief Executive Officer
Tom Hanzel, Chief Financial Officer
Laurie Johnson, Chief Catastrophe Response & Resiliency Officer
Susan Johnson, Governance Liaison
Suman Tatapudy, Senior Counsel
Tom Welsh, General Counsel

Speakers:

Bill Chiu, Southern California Edison
Managing Director, Grid Resiliency Program Management Office

Matt Pender, Pacific Gas & Electric
Director, Community Wildfire Safety Program

Jonathan Woldemariam, San Diego Gas & Electric
Director of Wildfire Mitigation & Vegetation Management

1. Quorum: Call to Order and Member Roll Call

Chair Mark Ghilarducci called the meeting, held via Zoom, to order at 2:07 p.m. and welcomed everyone. Ms. Susan Johnson called the roll and stated that a quorum was present.

2. **Minutes: Review and approve minutes of the July 23, 2020 meeting of the Council.**

MOTION: Mr. Martinez motioned to approve the July 23, 2020 meeting minutes as written. Mr. Cash seconded. The motion carried unanimously.

3. **Executive Report: CEA CEO Glenn Pomeroy provided the Council with an executive report.**

Mr. Pomeroy began by commenting that the startup phase of the Wildfire Fund is complete. The Fund is being administered in the manner and for the purposes intended by the Legislature. CEA continues its work on claims administration procedures.

During the 2019 and 2020 there were no covered wildfires that have yet produced claims on the Fund, however CEA is monitoring three wildfires –the Kincade, Bobcat, and Zogg fires – to see if they will result in claims on the Fund.

4. **Investor-Owned Utilities Mitigation Activities: The investor-owned utilities provided the Council with a presentation regarding their wildfire mitigation activities.**

Wildfire Ignition Risk Reduction Activities: Jonathan Woldemariam, San Diego Gas & Electric (SDG&E), provided an overview of SDG&E's wildfire ignition risk reduction activities. His presentation included a map of SDG&E service territory, noting about 64% is in the high fire threat district. Mr. Woldemariam provided specific detail concerning SDG&E's risk reduction activities, including, that SDG&E has installed over 200 weather stations over the years, and since 2008, SDG&E has enhanced more than 400 miles of transmission lines and more than 700 miles of distribution lines. As part of his presentation, Mr. Woldemariam also gave an overview of SDG&E's 2020-22 Wildfire Mitigation Plan. Mr. Woldemariam also discussed inspections and the use of drones, proactive equipment replacement, and its annual tree inspection program. Mr. Woldemariam also discussed the benefits of the programs.

Public Safety Power Shutoffs (PSPS) and Efforts to Reduce Customer Impacts: Matt Pender, Pacific Gas & Electric (PG&E) provided an overview of PSPS and efforts to reduce customer impacts. Mr. Pender noted that many of the things Mr. Woldemariam mentioned also relate to PG&E's wildfire mitigation program. Mr. Pender noted that about 10% of PG&E's customers live in high fire threat districts, and that almost a third of PG&E's distribution lines and a third of PG&E's transmission lines pass through the high fire threat districts.

PG&E focused adjustments for 2020 around three aspects of the PSPS program:

- Make PSPS events one-third smaller to impact fewer customers.
- Make PSPS events shorter by quickly deploying PG&E staff to patrol, inspect for damage on the lines, and when safe, turning the power back on.

- Work smarter. In 2019, there were challenges in communication such as the PG&E website failure. PG&E has improved coordination with other agencies such as CalOES and first responders.

PG&E's presentation focused on tools it is implementing to achieve these goals, including, sectionalizing the electric grid, improving weather modeling to inform decision-making, and upgrading its customer notifications. Beyond 2020, many of the tools will be the same in terms of making the grid more flexible, cutting the grid up into smaller groups, deploying microgrids, using generation sources, and continuing to enhance analysis tools. As PG&E hardens its system, learns about where risk is and is not located, and does vegetation management, the scope of PSPS events is expected to be reduced for customers going forward.

Wildfire Risk Assessment, Situational Awareness and New Technologies to Understand and Reduce Wildfire Risk: Bill Chiu, Southern California Edison (SCE), provided a presentation on SCE's wildfire risk assessment, situational awareness and new technologies to understand and reduce wildfire risk. Mr. Chiu stated that like SDG&E and PG&E, SCE is also making significant progress to reduce wildfire risk to its systems and to reduce the impact of PSPS events for customers. He provided a broader view of how SCE is improving wildfire analysis and risk quantification, and the application of new technology. SCE's wildfire mitigation strategy consists of three pillars based on fire science:

- Effectively minimize, if not eliminate, sources of ignition by aggressively tackling and removing burnable fuel near possible sources of ignition and bolstering their situational awareness capability to have advance warning on potential fire weather conditions.
- Mitigation measures are based on actual historical events. SCE's most recent wildfire mitigation plan, filed this year, includes three key differentiators from past years:
 - Significantly improved overall risk analysis and risk quantification.
 - Application of new and developing technologies such as artificial intelligence, machine learning, and system sensors and monitor technology.
 - An effort to reduce the impact of PSPS to customers to reduce the hardship those outages can have on customers.

Mr. Chiu also discussed SCE's wildfire risk modeling framework, which helps SCE prioritize the location of mitigation deployment. SCE started this more advanced risk modeling by leveraging the work done by REAX Engineering. Mr. Chiu also provided examples of cases where SCE is applying technology to further advance its efforts and situational awareness capabilities. Mr. Chiu gave an update of SCE efforts through the end of the third quarter 2020.

Questions and Discussion

Mr. Martinez asked how the utilities ensure sufficient and prioritized wildfire risk mitigation through high fire threat vegetation reduction. Regarding advance PSPS notifications, he asked if they use languages other than English.

Mr. Woldemariam replied that SDG&E is leveraging more than 15 years' worth of data that tracks tree species and information regarding tree mortality rate because of bug infestations among other causes. Growth rate is another part of the data along with trimming clearances. That data enables SDG&E to model more closely the tree behavior with power lines, resulting in the five targeted species for enhanced tree trimming: eucalyptus, palm, pine, oak, and sycamore.

Mr. Pender stated that PG&E continues to refine its risk prioritization model of where the highest risk areas are. PG&E continues to upgrade its tools using historical data, etc. with the intention – across all programs – of going to the greatest impact areas, in terms of wildfire risk reduction, as quickly and efficiently as possible in terms of resource deployment.

Regarding the question of PSPS notification in multiple languages, PG&E supplies information in 13 languages, particularly through its website where customers can click to specify their preferred language. PG&E is working with a number of community-based organizations for help translating material and getting information from press releases onto local radio stations.

Mr. Chiu added that SCE goes beyond the traditional clearing of power lines through its hazard tree management program that assesses the health condition of trees further away from power lines that could propose some risk. The assessments are done by certified arborists to identify appropriate remediation measures, including removal of trees.

Regarding the PSPS notification, Mr. Chiu stated that SCE provides a variety of languages in terms of notification sent out and information posted on its website.

Mr. Martinez commented that there is a current regulatory process at the Public Utilities Commission to help prioritize vegetation management and reduction plans.

5. Financial Report: CEA CFO Tom Hanzel provided the Council with a financial report on the Wildfire Fund as of August 31, 2020.

Overview of Financial Statements. Mr. Hanzel began with an update of the balance sheet noting the biggest change was the addition of the PG&E funds, which brought in a little over \$5 billion to the Wildfire Fund, which has been invested. There have been no other material changes on the balance sheet since the last update, which showed the financials as of June 30, 2020. The Wildfire Fund's "ready cash" for claims paying is \$9.9 billion and there will be additional funds flowing into the Wildfire Fund in future years, which, ultimately will reach \$21 billion in the Wildfire Fund.

The Statement of Revenues and Expenses is the Fund's income statement. The biggest changes from the prior income statement are the addition of the PG&E capital contributions and the unrealized gain/loss position. On June 30, that number was about \$130 million, and now it is about \$117 million, primarily driven by a slight increase in the rates in the broad market which impacted CEA's portfolio.

Utility Ratepayer Nonbypassable Charge Collections. As of October 1, 2020, the three Investor-Owned Utilities (IOUs) began collecting the nonbypassable charges from their respective ratepayers as authorized by AB 1054 and CPUC. Collection of the nonbypassable charges will continue for the next 15 years, through 2035, producing annual revenue of \$902.4 million per year. The Department of Water Resources (DWR) administers the collection and distribution process and expects to begin distributions to the Wildfire Fund around December 15, 2020.

Ms. Rossman commented that in her capacity as a Council member she has been reviewing and evaluating DWR's expected administrative expenses, and stated that some progress has been made in restructuring and reducing DWR's expenses which will benefit of the Wildfire Fund. She noted that DWR is a mere intermediary, with no other role in the administration of the Wildfire Fund, and believes that DWR's role can be scaled to be more or less comprehensive if necessary. In order to maximize efficiency and increase claim paying capacity of the Fund, she recommends seeking to transitioning some or all of DWR's administrative responsibilities to CEA, which already has a Finance Department dedicated to tracking, investing, and managing the assets of the Wildfire Fund. For the January meeting, Ms. Rossman recommended that the Council request CEA investigate and advise the Council on what options are available for restructuring the roles that DWR and CEA play in the administration of the nonbypassable charges in order to reduce expenses. Ms. Rossman noted that CEA should be able to make a significant reduction to the proposed expenses within a reasonable amount of time, thereby increasing funds available for wildfire claimants.

Chair Ghilarducci agreed that the Council should direct CEA staff to focus on this effort report back at the January meeting with recommended options for the Council. A number of Council members joined in this request and expressed their desire to ensure efficiency to maximize claim paying capacity of the Fund. Chair Ghilarducci asked whether a formal motion to that effect would be required, and Mr. Welsh stated that a formal action was not necessary for CEA staff to act on the Council's request. Mr. Pomeroy responded that staff would take this on and report back in January.

CEA Administrative Expenses. Mr. Hanzel stated that the Personnel and General & Administrative Expenses continue to be stable at about \$100,000 per month. Consistent with statutory requirements, CEA continues to allocate overhead to the Wildfire Fund to avoid subsidization by the Earthquake Authority Fund.

Investments. Mr. Hanzel, in discussing the investment portfolio, noted that CEA is moving toward investment-grade corporate securities and government agency securities, as authorized in the approved Investment Policy. For the period December 2019 to August 2020, the portion of the portfolio invested in US Treasuries decreased from 96% to 67%, and is now at 62%; Corporate securities represent approximately 28% of the portfolio, and final 10% is invested in governmental agency securities.

Regarding the Investment Analysis, Mr. Hanzel explained that general state of the economy has continued to suppress CEA’s ability to find new securities at higher yields. CEA’s primary goal is to preserve the Wildfire Fund’s capital for payment of claims.

Debt. The \$2 billion Surplus Money Investment Fund (SMIF) loan received in August 2019 remains outstanding. CEA is examining the optimal way to repay that loan at the earliest possible time.

6. Annual Report Pursuant to Public Utilities Code 3287: CEA Senior Counsel Suman Tatapudy discussed the requirement that the Council, with the assistance of the Administrator, file an annual report with the Legislature and the Department of Finance under Public Utilities Code section 3287.

Ms. Tatapudy explained the two annual reporting requirements established by AB 1054 regarding the Wildfire Fund:

1. **Annual “Plan of Operations.”** The Council approved the Wildfire Fund’s first annual report (covering the one-year period from July 2019 through June 2020) at its July 2020 meeting. CEA filed this report with the relevant legislative policy committees in September 2020.
2. **PUC § 3287 Annual Report.** This section of the Public Utilities Code requires a second annual report be prepared and filed, covering substantially the same information to be covered in the Plan of Operations report.

Staff Recommendation. For efficiency purposes and to avoid conflicts between the two similar reports, CEA staff recommends that the Council authorize the Administrator to file a copy of the first Plan of Operations report, with a one-page cover page, to satisfy the Council’s Section 3287 reporting requirement. Ms. Tatapudy listed the reasons for the recommendation and summarized the timeline that would be followed if this recommendation is adopted.

MOTION: Ms. Rossman moved to approve the staff recommendation. Mr. Gordon seconded. After a call for public comment, and hearing none, the Motion carried on a roll call vote.

Mr. Gordon commented that eventually the Council may want to ask the Legislature to amend the code to require a single annual report, rather than two reports which essentially cover the same topics. Chair Ghilarducci agreed, and noted that the Council would need to ensure that there are not different reporting timeframes for the different reports.

7. Articles of Governance: Ms. Tatapudy presented and requested adoption of minor amendments to the Council’s Articles of Governance.

Ms. Tatapudy stated that as CEA staff continues to work to implement AB 1054, they may need to come to the Council from time to time to suggest revisions to the Articles of Governance to accurately reflect the appropriate division of labor between the Council and the Administrator. The current revisions to the Articles of Governance make several technical corrections that result in a better alignment of the Articles with the text of AB 1054.

MOTION: Mr. Cash moved approval of the revised Articles of Governance. Ms. Bando seconded. After a call for public comment, and hearing none, the Motion carried on a roll call vote.

8. Claims Administration: Dr. Laurie Johnson, CEA’s Chief Catastrophe Response & Resiliency Officer, presented and requested adoption of a policy statement related to claim administration, entitled *Wildfire Claims Administration – Provisional Policy Statement and Summary of Procedures*.

Dr. Johnson briefed the Council on claims administration. Staff has been working on the development of the Wildfire Claims Administration document, which has two parts: Provisional Policy Statement and Summary of Procedures. The Provisional Policy Statement outlines the principles that will guide the Administrator’s development of the claims procedures and help ensure that claims procedures accomplish what the Legislature, Governor, and State of California intended in creating the Wildfire Fund. The Summary of Procedures outlines a broader set of policies and guidance that the Council will instruct the Administrator to follow in the subsequent development of the more detailed claims process and specific procedures.

Dr. Johnson noted that staff circulated a preliminary draft of this document to the Council on October 7, 2020. CEA also conducted outreach to the three IOUs and sought input from subject matter experts in wildfire litigation, wildfire liability insurance, and other issues relevant to claims administration. As a result of that outreach, CEA staff identified a number of areas where this document could be materially improved. Dr. Johnson noted that the meeting materials included an updated draft. She recommended that the Council approve and adopt this policy statement. She also noted that with the Council’s approval, CEA will proceed to develop more detailed claims administration procedures consistent with this policy document, for presentation at subsequent Council meetings. This will include conducting further outreach to additional stakeholders.

Mr. Martinez asked if Dr. Johnson had received input from external stakeholders including the IOUs on the draft and revised claims administration procedures. Dr. Johnson confirmed that such input had been received. Staff also did outreach on topics that needed more information such as the definition of “*covered wildfire*.”

Mr. Rosenstiel commented that he was looking forward to seeing the detailed procedures at future meetings. Further, he stated that it is important we keep in mind some of the overriding reasons that the Legislature enacted AB 1054 and why it was important. In particular, CEA needs to focus on creating a process that has some degree of certainty, as well as discretion and expedience.

MOTION: Mr. Rosenstiel moved to approve the Wildfire Claims Administration – Provisional Policy Statement and Summary of Procedures. Ms. O’Connor seconded. After a call for public comment, and hearing none, the Motion carried on a roll call vote.

9. Administrator Evaluation: Mr. Pomeroy discussed a process under which the Council may conduct annual evaluations of the performance of CEA as Wildfire Fund Administrator.

Mr. Pomeroy stated that at Council’s request, staff had given further thought to placing structure around an evaluation process that the Council could modify if it deemed appropriate.

As such, staff put together a framework modeled after the CEA Governing Board’s annual evaluation of Mr. Pomeroy’s performance as CEO. Mr. Pomeroy suggested that the first evaluation period could be effective beginning in April 2020; and that two Council members could voluntarily serve on the Evaluation Subcommittee and would solicit feedback and input from other Council members. If desired, a report could be made at the April 2021 Council meeting. The Council could provide feedback on leadership, governance, finance, claims, and the possible addition of Enterprise Risk Management as a performance category.

Questions and Discussion

Ms. Rossman suggested that the members consider whether they wanted to serve on the subcommittee rather than having members appointed. Chair Ghilarducci noted that serving on the subcommittee takes some time in order to gain a focus. He felt that the subcommittee is a good way to do a review of the Administrator and the functions as it provides the ability to have a measurement as to whether the Administrator is meeting objectives.

Mr. Martinez noted his support for the proposed performance categories including having Enterprise Risk Management separated into its own category, adding the categories are thoughtful and widely-encompassing. He agreed with Mr. Pomeroy’s suggestion of having the Council members rotate onto the subcommittee every three years. Because this is the first year, categories and processes could change as needed in subsequent years.

Chair Ghilarducci requested staff place the matter on the Agenda for the next meeting, at which time Council members willing to volunteer for the first review period can be identified.

10. 2021 Proposed Quarterly Meeting Schedule: Mr. Pomeroy sought approval of the proposed 2021 Council meeting dates.

Mr. Pomeroy listed the proposed dates for 2021 Council meetings:

January 28

April 22

July 22

October 28

The Council agreed to these recommended dates, subject to potential changes as necessary.

10. Public Comment: Public comment opportunity on matters that do not appear on the agenda and requests by the public that those matters be placed on a future agenda.

There was no public comment.

11. Adjournment.

There being no further business, Chair Ghilarducci adjourned the meeting at 3:50 p.m.



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 3: Executive Report

Recommended Action: No action required—information only

Chief Executive Officer Glenn Pomeroy will present his Executive Report to the Council.



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 4: Informational Presentation on Wildfire Modeling.

Recommended Action: No action required—information only

Representatives from AIR Worldwide, CoreLogic and Risk Management Solutions will provide the California Catastrophe Response Council (CCRC) with presentations of their wildfire models and modeling capabilities.

CEA expects to periodically utilize wildfire risk models primarily for the purpose of evaluating the potential durability of the Wildfire Fund and the benefits of reinsurance and risk transfer as a tool to potentially extend the Fund's life. However, in arranging for this informational presentation to the Council, CEA is not endorsing any of these commercial modeling firms or their products, nor is CEA validating the use of wildfire models for insurance purposes unrelated to the Wildfire Fund.



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 5: Annual Evaluation of CEA As Administrator

Recommended Action: Call for Member Volunteers to Evaluate CEA's Performance as Administrator of the Wildfire Fund.

Background

At the October 22, 2020 Council meeting, the Council agreed to adopt a practice of conducting periodic evaluations of CEA's performance in its role as the Council's appointed Administrator of the Wildfire Fund. The recommended practice and process was described generally in a Council memorandum dated October 22, 2020, a copy of which is included here as Attachment A. The suggested evaluation process generally involves asking that several Council members volunteer to serve as an informal review subcommittee to solicit feedback from Council members on a variety of key performance indicators, develop a written summary of that feedback, and deliver it to the Council and to CEA's executive team at a subsequent meeting.

Next Steps and Timeline

To implement this evaluation process, the Council will need to take the following steps:

- Volunteers to serve as the informal review subcommittee. At this meeting, the Chair may request several Members volunteer to conduct the evaluation process. In fixing the number of Council members serving in this annual, revolving role, the Council may wish to keep in mind that a gathering of three or more Council members for the purpose of discussing the business of the Wildfire Fund may trigger the requirements of the Bagley-Keene Open Meetings Act, requiring that the meeting be noticed and open to the public. While this can be accomplished, it may increase the expense and time to complete this administrative process. Members of the public, of course, are always able to participate in discussions on this topic both at this meeting, and at any subsequent meetings of the Council. CEA recommends that two members serve in this role.
- Solicitation of Feedback. CEA's Governance Liaison can assist the volunteer Council members with the process of soliciting feedback on CEA's performance from other



members in a manner that complies with the Bagley-Keene Act and avoid the risk of those communications constituting “serial” meetings. At the request of the subcommittee members, CEA will also assist in soliciting feedback from other stakeholders that the members wish to contact.

- Delivery at Public Meeting. At the request of the subcommittee members, CEA will place an item on the Agenda for the meeting immediately following the completion of this evaluation process (presumably for the April 22, 2021 meeting), to allow for the discussion of CEA’s performance in a public meeting.

As noted in the memorandum of October 22, 2020, this process is intended to be flexible to meet the desires of the Council and the members who volunteer to serve on the evaluation subcommittee. Also, this process should not be seen as precluding every Council members right to provide direct and candid feedback at any time. CEA welcomes all suggestions as to how best to execute its important role as Administrator of the Wildfire Fund.

Recommendation

CEA staff recommends that the Chair ask for two members to volunteer to serve as the informal evaluation subcommittee, and to work with CEA staff to generate an evaluation of CEA’s performance from inception of the Fund through the end of 2020.



**AGENDA ITEM 5:
ATTACHMENT A**

California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 9: Evaluation of Administrator’s Performance

Recommended Action: Discuss Process for Conducting Periodic Evaluations of the Performance of CEA, as Administrator of the Wildfire Fund

Background

CEA has recommended that the Council conduct periodic evaluations of CEA’s performance as Administrator of the Wildfire Fund to ensure that CEA is discharging its responsibilities in a manner consistent with the desires and expectations of the Council. While such reviews are not statutorily mandated under AB 1054, they represent a best practice that will facilitate a functional, efficient and productive working relationship between the Council and CEA. This recommended process is not to the exclusion of the Council’s exercise of rigorous oversight of CEA’s specific activities in administering the Wildfire Fund, nor the authority of any individual Council member to request information or provide direct feedback to CEA. Staff of CEA takes seriously its obligation to faithfully discharge the administration responsibilities entrusted to it by the Council and welcomes robust feedback on its performance.

A recommended evaluation process is set forth below for consideration and discussion by the Council. If the Council elects to implement an evaluation process, CEA will stand ready to implement whatever evaluation process is ultimately approved by the Council.

Proposed Evaluation Process

1. Timing: Initially, CEA recommends an annual evaluation process that would cover the first full year from CEA’s appointment as Administrator in late March 2020. The initial proposed review period would thus cover from April 1, 2020 through March 31, 2021. In the future, absent material performance concerns, the Council can consider moving to a biennial assessment schedule. This proposed time frame works well with the traditional view of “wildfire season” and will be occurring at a



AGENDA ITEM 5: ATTACHMENT A

time when little if any wildfire activity would normally be expected. To the extent public discussion is warranted or requested by the Council, CEA would place the matter on the Agenda for the April quarterly meeting of the Council.

2. Rotating Evaluation Duties: For efficiency and to avoid undue burden on any individual member of the Council, the Council may identify 2 or 3 Council members to solicit performance feedback from the other Council members and then assemble that information for delivery to CEA's management team. That responsibility may then rotate annual among Council members. If that recommendation is adopted, CEA will plan to place on the Agenda for the January 2021 meeting an items calling for the Council to designate several members to undertake this process for the initial evaluation period.
3. Performance Categories: CEA recommends that the Council comment on at least the following categories of functional activities undertaken by the Administrator:
 - a. *Leadership* – Evaluation of the performance of CEA's key leadership team in discharging the duties of the Administrator
 - b. *Council Governance & Compliance* – Evaluation of the work undertaken to ensure proper governance of the Council, including the lawful conduct of public meetings of the Council and the monitoring of any compliance issues related to the Council (e.g., Political Reform Act/Form 700 matters; Conflict of Interest Code and Statement of Incompatible Activities maintenance and enforcement; records retention practices, etc.)
 - c. *Finance* – Evaluation of Wildfire Fund asset management, accounting, risk transfer, and enterprise risk management activities.
 - d. *Claim Administration* – Assessment of both claims administration "readiness" and actual claim administration, as and when claims arise from covered wildfires.
 - e. *Other Functions* – Evaluation of, among other things:
 - i. Relations and communications with participating utility companies;
 - ii. Stakeholder relations with other interested groups and parties, such as CPUC, Department of Finance, Department of Water Resources, wildfire claimant representatives.
 - iii. Communications and general public relations, and



**AGENDA ITEM 5:
ATTACHMENT A**

iv. Legislative relations

4. Documentation and Delivery: The Council may communicate its evaluation either in a formal written document, following approval and adoption by the Council at the April Council meeting, or may simply report its evaluation during the April meeting and have that information recorded as part of the minutes of the meeting.

Any process that is adopted by the Council may always be adjusted or modified in the future to meet the desires of the Council. Irrespective of the process that is adopted, CEA, the Council, the Wildfire Fund beneficiaries, the participating utility companies and their respective ratepayers, will all benefit from the regular exchange of performance feedback on the administration of this vitally important fund.

Recommendation

CEA staff recommends that the Council discuss and approve a process to ensure regular and robust periodic evaluations of CEA's performance of its duties as Administrator of the Wildfire Fund.



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 6: Claims Administration

Recommended Action: Discuss and consider adoption of the Wildfire Fund Claims Administration – *Expanded Summary of Procedures*; and, if adopted, instruct the Administrator to develop more detailed claims administration procedures consistent with the document

Background

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

At its October 22, 2020 meeting, the Council adopted a *Provisional Policy Statement and Summary of Procedures* for the claims administration of the Wildfire Fund. Since then, the Administrator has continued to develop and document the wildfire claims administration process through the following actions:

- Working with its consulting attorneys, Carlson, Calladine & Peterson LLP, who have also engaged a number of subject-matter experts to advise on claims valuation and review processes, including the types of documents and/or information needed to evaluate claims for different types of wildfire damage (i.e. structures and land, crops and trees, personal injury);
- Engaging two claims adjusting experts, who each have more than 30 years of experience in establishing and managing government and insurance industry claims handling programs; and
- Conducting outreach to the three electrical corporations to better understand their claim handling processes.

These efforts have resulted in an *Expanded Summary of Procedures* that we present to the Council for review and adoption. The *Expanded Summary of Procedures* builds upon the Council-approved *Provisional Policy Statement and Summary of Procedures* and provides the Council with an interim opportunity to weigh in on key elements of the claims administration process as it continues to take shape. The Council’s adoption of the *Expanded Summary of*

DRAFT

WILDFIRE FUND CLAIMS ADMINISTRATION EXPANDED SUMMARY OF PROCEDURES

The State of California has vested discretion in a Wildfire Fund Administrator (the “Administrator”) to develop and implement procedures for evaluating and paying claims submitted to the Wildfire Fund (the “Fund”), consistent with the regulations specified in sections 3284 – 3297 of the Public Utilities Code and as approved by the California Catastrophe Response Council (“the Council”). The Administrator’s development of the procedures and claims administration process is generally guided by the principles set forth in the Wildfire Fund Claims Administration Provisional Policy Statement and Summary of Procedures approved by the Council on October 22, 2020.

I. DEFINITIONS

Notes for the CCRC: There are new definitions for “Coverage Year,” “Determining Governmental Entity,” “Final Determination of Eligibility,” “Preliminary Determination of Eligibility,” “Third-Party Claims,” and “Third-Party Claimant” that were not included in the October 22, 2020 Summary of Procedures.

Administrator – The administrator of the Wildfire Fund appointed by the California Catastrophe Response Council pursuant to section 8899.72 of the Government Code.

Coverage Year – For any Participating Utility, an annual period of exactly twelve months that (1) commences as of date and time, as declared by the Participating Utility to the Administrator no less than 30 days in advance, at which any or all of that Participating Utility’s insurance coverage which is required to be in place pursuant to section 3293 of the Public Utilities Codes incepts, and (2) ending exactly 12 months after the date of commencement.

Covered Wildfire – A wildfire that ignited on or after July 12, 2019 and which the Determining Governmental Entity has found was caused by an electrical corporation, as described in section 1701.8(a)(1) of the Public Utilities Code. This includes a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff. It also includes a landslide, mudslide, mudflow or debris flow that is the result of a Covered Wildfire.

Determining Governmental Entity – An entity, agency, or subdivision of the Government of the United States of America, State of California, or California county or municipality that, consistent with section 1701.8 of the Public Utilities Code, is legally charged with the responsibility for determining, and does in fact make a final determination of, the cause of ignition of a wildfire, and including, in the case of a wildfire for which causation is ultimately determined by way of a final judicial finding, a federal or California court of competent jurisdiction.

Eligible Claim(s) – Third-Party Claims in excess of the Threshold Amount for damages directly resulting from Covered Wildfires, as described in section 3280(f) of the Public Utilities Code and presented by a Participating Utility for reimbursement from the Fund. “Eligible Claims” also include amounts in excess of the Threshold Amount for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the settlement of a settled or finally adjudicated claim of a third-party claiming damages directly caused by a Covered Wildfire.

Final Determination of Eligibility – The Administrator’s final determination of whether the Participating Utility has demonstrated that it has met the Threshold Amount through the exercise of reasonable business judgment.

Participating Utility – An electrical corporation that has met all of the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.

Preliminary Determination of Eligibility – The Administrator’s initial determination regarding the extent to which a Participating Utility has demonstrated that it exercised reasonable business judgment in the payment of Third-Party Claims exceeding the Threshold Amount.

Third-Party Claim(s) – Claims for damages or losses presented to a Participating Utility by any person or entity, including those claiming a right by subrogation and governmental entities, claiming damages directly resulting from a Covered Wildfire. “Third-Party Claims” do not include losses or damages sustained directly by the Participating Utility. For these purposes, “subrogation” is not limited to claims from insurance companies but includes any person or entity holding a contractual or equitable right to be reimbursed for payments that person or entity was legally required to make to a third party as a result of a Covered Wildfire.

Third-Party Claimant - A person or entity that files a Third-Party Claim.

Threshold Amount – Third-Party Claims paid on Covered Wildfires, which, in the aggregate, exceed the greater of (1) one billion dollars (\$1,000,000,000) in any

Coverage Year, or (2) the amount of the insurance coverage required to be in place for the electrical corporation pursuant to section 3293 of the Public Utilities Code.

II. ANNUAL ACTIVITIES: CLAIMS LIAISONS AND CAPABILITY REVIEWS

Notes for the CCRC: There is a new section outlining the role of claim liaisons to assess the readiness of each Participating Utility. It was not included in the October 22, 2020 Summary of Procedures.

A. Claims Liaisons

1. The Administrator and Participating Utilities will each appoint a liaison to confer on matters related to claim administration procedures.
2. The Administrator's liaison will be responsible for the following:
 - a. Maintain communication with the liaisons of each Participating Utility regarding claim handling for wildfires.
 - b. Understand the preparedness of each Participating Utility to cope with claims resulting from Covered Wildfires.
 - c. Secure a comprehensive description of each Participating Utility's wildfire claims organization, practices and procedures, including:
 - (1) Size and organization of claim department, experience levels and qualifications of personnel, and personnel staffing at each experience level
 - (2) Training and development of personnel
 - (3) Authority structure, both internal to the Participating Utility and by vendor, for claims reviews and audits, and control mechanisms for those authorities
 - (4) Large-loss procedures and exception management
 - (5) Any claims procedures to resolve claims for reasons other than a reasonable estimation of liability and legally recoverable damages
 - (6) Business continuity, claims surge and catastrophe planning
 - (7) Reporting requirements of the Participating Utility's liability insurance carriers regarding claim detail
 - (8) Reporting on contracts with, and descriptions of work performed by, any vendors providing claims processing support, if used
 - (9) Copies of any guidelines that vendors must follow in adjusting claims and how those adjustment are audited and reviewed, including any delegated authority that is provided
 - (10) Information technology systems and electronic data extraction and submission methods used to produce claim submissions to the Administrator, as indicated in the reporting requirements for losses
 - (11) Procedures for identifying claims that are duplicative and/or that are included twice, once in the context of a subrogation claim and again in the context of a non-subrogation claim made by the person or entity directly sustaining the claimed loss.

- (12) Procedures for identifying and investigating potentially fraudulent claims
- (13) Procedures for confirming proof that the Third-Party Claim was actually paid or that the Participating Utility has an existing and legally enforceable obligation to pay that Third-Party Claim.
- d. Conduct annual update meetings with each Participating Utility within the first half of each Coverage Year to secure the latest information, as described above, on the claim organization and its functioning as well as the claim organization's claim handling and reporting capabilities.
- e. Be available as requested to meet with each Participating Utility to address concerns arising from either the Participating Utility or the Administrator.
- 3. Each Participating Utility Liaison is responsible for timely response to the Administrator's Claim Liaison.

III. CLAIMS ADMINISTRATION PROCEDURES

Notes for the CCRC: There are new sections and details in each of the following sections that were not included in the October 22, 2020 Summary of Procedures.

A. Claim Submissions

1. The Administrator and each Participating Utility will determine in advance the Coverage Year to be used for the identification of Eligible Claims.
2. Each Participating Utility will develop procedures that capture all relevant details regarding Third-Party Claims that have been paid, or for which there are binding commitments to pay, in a form compatible with the requirements for seeking reimbursement of Eligible Claims from the Fund.
3. Each quarter, or at such other intervals as determined by the Administrator, the Participating Utility will report, in a standardized format specified by the Administrator, all of the following to the Administrator with respect to actual or anticipated Eligible Claims:
 - a. The date, location and, if applicable, name of each Covered Wildfire.
 - b. A brief description of the status of efforts to resolve Third-Party Claims and an estimate of the timing of resolution of those claims.
 - c. The total amounts of payments made, or committed to be made, for each Covered Wildfire broken down by damage type, as outlined in section III.B.4, without identification of particular claims or claimants.
 - d. To the extent publicly disclosed, the total estimated amount of additional payments anticipated for each Covered Wildfire broken down by damage type, as outlined in section III.B.4, without identification of particular claims or claimants.

- e. The status of the determination of causation of each anticipated Covered Wildfire.
4. In addition to the periodic reports described in Paragraph 3 above, each Participating Utility will report the information listed in Paragraph 3 to the Administrator when any of the following occurs:
 - a. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, \$750,000,000, in the aggregate, for Third-Party Claims resulting from Covered Wildfires for a single Coverage Year;
 - b. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, any single Third-Party Claim exceeding \$75,000,000 resulting from a Covered Wildfire;
 - c. The Participating Utility has a reasonable belief that it may have Eligible Claims exceeding the Threshold Amount for a single Coverage Year; or
 - d. Upon request of the Administrator.
5. The information identified in Paragraphs 3 and 4 above is not intended to replace the more detailed information required for the formal submission of Eligible Claims but is intended to provide the Administrator with advance notice of potential Eligible Claims to help facilitate the processing and payment of Eligible Claims if or when they are submitted for reimbursement. The failure to provide the information identified in Paragraphs 3 and 4 above, will not result in a denial of claims submitted by the Participating Utility but it may delay the processing of claims.

B. Submission of Claims to the Fund

1. The Administrator will evaluate whether claims submitted by the Participating Utility meet or exceed the Threshold Amount separately from the evaluation of Eligible Claims for reimbursement. However, the processes and standards described below will apply to each of those evaluations.
2. After a Participating Utility has, within a Coverage Year, paid or made binding commitments to pay Third-Party Claims exceeding, in the aggregate, the Threshold Amount, the Administrator will determine whether the total amount paid or committed to be paid by the Participating Utility was consistent with the exercise of reasonable business judgment as described in Section III.C.
3. If the Administrator determines the Participating Utility has exercised reasonable business judgment in paying Third-Party Claims that meet or exceed the Threshold Amount for a particular Coverage Year, the Participating Utility may then seek reimbursement for payment of Eligible Claims for the applicable Coverage Year.

4. To enable the Administrator to determine whether the Participating Utility exercised reasonable business judgment in paying Third-Party Claims, the Participating Utility must provide, in a secure fashion and by means determined by agreement between the Administrator and the Participating Utility, the following information with respect to each Third-Party Claim submitted for consideration by the Administrator:
 - a. For non-subrogation claims
 - (1) Name of the Third-Party Claimant
 - (2) Identification of the specific Covered Wildfire giving rise to the claim
 - (3) Specific location where damage or injury occurred
 - (4) Legal interest of Third-Party Claimant in the property, if any, damaged
 - (5) Amount, if any, recovered by the Third-Party Claimant from any other sources such as the claimant's property insurer or governmental agencies
 - (6) Itemization of amounts claimed by the Third-Party Claimant broken down among the following damage types:
 - (a) Structures and land
 - (b) Trees
 - (c) Crops
 - (d) Additional living expenses
 - (e) Personal property (including business personal property)
 - (f) Lost income (business or personal)
 - (g) Personal injury and/or wrongful death
 - (h) Emotional distress, annoyance and/or discomfort
 - (i) Fire suppression costs
 - (j) Attorneys' fees recoverable by the Third-Party Claimant as an allowable part of damages
 - (k) Other legally recoverable damages
 - (7) Total amount paid by the Participating Utility for the Third-Party Claim
 - (8) Reason for resolution (judgment, mediation, arbitration, etc.)
 - (9) Proof of payment, or of obligation to pay, by the Participating Utility
 - (10) Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount
 - b. For subrogation claims
 - (1) Name of insurer or other entity claiming right of subrogation
 - (2) Identification of the specific Covered Wildfire giving rise to the subrogation claims
 - (3) If the subrogating entity is not an insurer, name of subrogated insurers' policyholders under whom right of subrogation is claimed

- (4) If the subrogating entity is not an insurer, explanation of that entity's legal basis for asserting a right of subrogation
 - (5) Specific location where each subrogated loss or injury occurred
 - (6) Itemization of amounts claimed by the subrogating entity broken down among the following damage types:
 - (a) Structures/real property
 - (b) Trees
 - (c) Crops
 - (d) Additional living expenses
 - (e) Personal property (including business personal property)
 - (f) Lost income (business and personal)
 - (g) Other damages legally recoverable in subrogation
 - (7) Total amount paid by the Participating Utility for the Third-Party Claim
 - (8) Reason for resolution (judgment, mediation, arbitration, etc.)
 - (9) Proof of payment, or of obligation to pay, by the Participating Utility
 - (10) Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount
5. The Administrator may request additional information as deemed necessary in the judgment of the Administrator.
 6. The Administrator will adopt procedures designed to protect from disclosure any confidential or proprietary documents or information that may be submitted by a Participating Utility to support claims payable from the Fund. Except as otherwise required by law, neither the Administrator nor the Council will divulge to any other person or entity that confidential or proprietary information absent the written consent of the Participating Utility. If the Administrator or the Council receives from any person or entity any valid and enforceable request or demand to divulge a Participating Utility's confidential or proprietary information, the Administrator will notify the Participating Utility of the demand or request as promptly as reasonably practicable and shall provide reasonable assistance in protecting confidential or proprietary information from disclosure.

C. Administrator's Review of Claims

1. The Administrator's determination of whether a Participating Utility exercised reasonable business judgment in the payment of, or binding commitment to pay, Third-Party Claims will be based on the following considerations:
 - a. The Participating Utility's general procedures for evaluating and paying claims.

- b. Whether the amount paid resulted from a judgment, mediation, arbitration award or informal negotiation.
 - c. The extent to which the Participating Utility based its settlement decisions on documentation and other information appropriate for the types of damages and losses claimed.
 - d. The extent to which the Participating Utility based its settlement decisions on consultation with subject matter experts appropriate for the types of damages and losses claimed.
 - e. The costs and risks of further litigation with the Third-Party Claimants.
 - f. The extent to which the amount paid reflects legally recoverable damages.
 - g. For subrogation claims, claims paid at less than or equal to 40% of total asserted claim value will be assumed to reflect the exercise of reasonable business judgment unless the Administrator finds that the facts and circumstances surrounding a particular claim indicate a failure to exercise reasonable business judgment.
 - h. For non-subrogation claims, the relationship between the value of the amount claimed and the amount paid.
 - i. The Participating Utility's process for eliminating duplicate damage claims between a Third-Party Claimant and the subrogated insurer for that claimant.
 - j. Any other relevant and valid considerations.
2. Administrator's Decision of Claim Eligibility
- a. The Administrator will promptly review claims submitted by the Participating Utility to the Fund to determine the extent to which the Threshold Amount has been met through the exercise of reasonable business judgment and, thereafter, to determine the extent to which Eligible Claims are entitled to reimbursement.
 - b. Individual review of all Third-Party Claims will be the primary method by which the Administrator will determine whether the Participating Utility exercised reasonable business judgment when resolving those claims; however, the Administrator may employ statistical sampling to individually review a representative sample of Third-Party Claims where the Administrator determines that the number of Third-Party Claims submitted for reimbursement is too large to allow for the efficient review of individual claims and that the scope and type of Third-Party Claims are amenable to analysis by statistical sampling methods. The Administrator may base decisions upon the results of the statistical sampling or conduct individual claim reviews.
 - c. In developing the claims administration procedures, the Administrator has consulted, and will continue to consult, with independent subject matter

experts experienced in evaluating the specific types of damage claims typically resulting from wildfires. The Administrator may consult with those or other qualified subject matter experts when determining whether the Participating Utility exercised reasonable business judgment in the resolution of claims.

- d. After completing the review of Third-Party Claims submitted by the Participating Utility, the Administrator will issue a Final Determination of Eligibility if it finds that the Threshold Amount has been met through the Participating Utility's exercise of reasonable business judgment. Upon the issuance of a Final Determination of Eligibility, the Administrator will consider claims above the Threshold Amount for reimbursement. If the Administrator does not find that the Participating Utility has met the Threshold Amount, it will issue a Preliminary Determination of Eligibility with one of the following findings:
 - (1) A preliminary finding that the Participating Utility did not provide sufficient information or documentation demonstrating the exercise of reasonable business judgment, and that no part of the Threshold Amount will have been satisfied and no Third-Party Claims will be further considered for reimbursement.
 - (2) A preliminary finding that a certain percentage or amount of the Threshold Amount has been satisfied but that the remainder is not supported by proof of the exercise of reasonable business judgment, and that no Third-Party Claims will be considered for reimbursement until the balance of the Threshold Amount has been met.
- f. If the Participating Utility disagrees with the Administrator's Preliminary Determination of Eligibility, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility shall submit to the Administrator any additional information or documentation demonstrating the exercise of reasonable business judgment in settling or resolving claims within the Threshold Amount.
- g. After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligibility, the Administrator shall issue a Final Determination of Eligibility.
- h. If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

- i. The Administrator will develop procedures that have a mechanism to resolve any disputes that emerge during claims administration, including the Administrator's Final Determination of Eligibility, as well as any decisions made by the Administrator regarding reimbursable amounts for Eligible Claims.

D. Administrator's Payment of Claims

1. The Administrator will create a controlled disbursements account(s) for purposes of making claim payments from the Wildfire Fund. Participating Utilities will be required to provide payment instructions to the Administrator.
2. The Administrator will reimburse Eligible Claims within 45 days after the date the Administrator approves the reimbursable amount, unless that timing is not practicable under the circumstances.
3. When the Administrator has determined that the Threshold Amount has been met for a particular Coverage Year, the Administrator will have the right, but not the obligation, to provide payment to the Participating Utility for Eligible Claims after the amount of those Eligible Claims incurred by the Participating Utility are finally determined but before those Eligible Claims are actually paid by, or on behalf of, the Participating Utility.
4. While the Wildfire Fund is under no obligation to advance funds to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, the Administrator reserves the right to advance payments in order to accelerate the funding of claimant reimbursements.
5. The Administrator reserves the right to recall claim payments from the Participating Utility in the event of over-payment or the Participating Utility's recovery of Eligible Claims from other sources.
6. At the point in time at which the Administrator reasonably believes that the Fund no longer has a sufficient balance to reimburse all Eligible Claims, the Administrator will present a plan to the Council on how remaining funds will be equitably apportioned among all projected claims.

IV. REIMBURSEMENT PROCEDURES FOLLOWING A CATASTROPHIC WILDFIRE PROCEEDING

Notes for the CCRC: This is a new section that is a substantial expansion from the October 22, 2020 Summary of Procedures.

Once a Participating Utility has received any payment from the Wildfire Fund for Eligible Claims, the Participating Utility must comply with the laws and regulations

related to a Catastrophic Wildfire Proceeding as defined in Section 1701.8.(b) of the Public Utilities Code.

A. Required Applications

1. The Participating Utility must file an application to the Public Utilities Commission (the “Commission”) to commence a Catastrophic Wildfire Proceeding by no later than the earlier of the following:
 - a. The date when it has resolved all Third-Party Claims and exhausted all right to indemnification or other claims, contractual or otherwise, against any third parties, including collecting insurance proceeds, related to the Covered Wildfire.
 - b. The date that is 45 days after the date the Administrator requests the Participating Utility to make such an application.

B. Required Payments

1. Based on the Commission’s decision in a Catastrophic Wildfire Proceeding, a Participating Utility must reimburse the Wildfire Fund as follows:
 - a. If the Commission finds that the Participating Utility’s costs and expenses were just and reasonable, the Participating Utility will not be required to reimburse the Wildfire Fund.
 - b. If the Commission finds that the Participating Utility’s costs and expenses were not just and reasonable, the Administrator may, after the Commission makes such findings, commence a process to determine whether the Participating Utility’s actions or inactions that resulted in the Covered Wildfire constituted conscious or willful disregard of the rights and safety of others, and the Participating Utility must reimburse the Wildfire Fund as follows:
 - (1) If the Administrator does not make a determination that the Participating Utility’s actions or inactions that resulted in the Covered Wildfire constituted conscious or willful disregard of the rights and safety of others, the Participating Utility must reimburse the Wildfire Fund in the lesser amount of either of the following:
 - (a) The full amount of costs and expenses the Commission determined were disallowed, or
 - (b) The amount determined pursuant to Public Utilities Code section 3292(h)(2)(C).
 - (2) If the Administrator determines that the Participating Utility’s actions or inactions that resulted in the Covered Wildfire constituted conscious or willful disregard of the rights or safety of others, or if the Participating Utility failed to maintain a valid safety certification at the

time of the commencement of the Covered Wildfire, the Participating Utility must reimburse the Administrator the full amount of costs and expenses the Commission determined were disallowed.



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 7: Administration of Non-bypassable Charges

Recommended Action: No action required—information only

Background and Update.

Non-bypassable Charges. The Wildfire Fund’s current aggregate claim-paying capacity is approximately \$21 billion. About half of this amount derives from the collection of non-bypassable charges (NBCs) imposed on the participating utility companies’ ratepayers over the next 15 years. The collection of the NBCs was approved by the California Public Utilities Commission (CPUC) in its Decision No. 19-10-056, entered October 24, 2019 (CPUC Decision). The CPUC Decision provides for the collection of an aggregate revenue requirement of \$902.4 million each year through the end of 2035. That annual revenue requirement is met by ratably allocating NBCs among the ratepayers of all three of the participating investor-owned utility companies (IOUs).

SMIF Loan to the Wildfire Fund. The Wildfire Fund was initially capitalized with a short-term loan in the amount of \$2 billion from the California Treasurer’s Surplus Money Investment Fund (“SMIF Loan”), which is accruing interest at the rate of 2.35%. AB 1054 stated the Legislature’s intent that the SMIF Loan be repaid by the Wildfire Fund “as quickly as possible” within a fiscal year and mandates that the loan be paid off “as soon as practicable” and “shall be repaid” using the NBCs or the proceeds of revenue bonds issued by DWR and secured with a pledge of the NBCs.

DWR’s Administration of the NBCs. The Department of Water Resources (“DWR”) was authorized under AB 1054 to collect and administer NBCs starting in October 2020. DWR is required to allocate and distribute the NBCs for specified priority purposes, including, but not limited to, paying its own administrative and overhead expenses and facilitating the prompt repayment of the SMIF Loan. Amounts of NBCs not allocated to a priority purpose (e.g., paying off the SMIF Loan) are to be transferred to the Wildfire Fund where the funds may be used to pay claims following a covered wildfire. I

In addition to administering the collection of the NBCs through the IOUs, DWR is also empowered to issue revenue bonds and to pledge the NBC revenues to the repayment



of those bonds. DWR, working with CEA, the State Treasurer's Office (STO), Department of Finance (DOF), was preparing to issue bonds in late Fall of 2020 to generate proceeds to fully repay the SMIF Loan. The parties collectively determined to delay the issuance of the DWR revenue bonds and instead allocate the collected NBCs to the repayment of the SMIF Loan pursuant to an amortization schedule negotiated among CEA, STO and DOF. The amortization schedule provides for CEA to pay monthly principal payments of \$70 million, and quarterly interest payments. Principal payments began on December 29, 2020.

CEA determined that it was in the best interests of the Wildfire Fund that CEA be able to use DWR's releases of collected NBCs to meet debt service on the SMIF loan, rather than dip into Wildfire Fund assets to make loan payments. Accordingly, in December 2020 CEA executed a *SMIF Loan Repayment Agreement* with the DWR to facilitate DWR's releases of NBCs for the purpose of making SMIF loan payments. The CEA agreed to and established a SMIF Payment Account with one of its investment managers to receive NBC funds and take reasonable steps to ensure that funds in the SMIF Payment Account are (a) segregated from the CWF general account from which eligible claims against the CWF are paid; and (b) applied for the sole and exclusive purpose of holding funds allocated to the repayment of principal and interest on the SMIF Loan, until the SMIF Loan is paid in full.

The agreement also allows CWF to make "Top Up" Deposits if funds then on deposit in the SMIF Payment Account are insufficient to fund monthly principal and/or quarterly interest payments on the SMIF Loan. The core purpose of the Agreement was to facilitate the prompt release by DWR of collected NBCs held at the Treasurer's Office so that the NBCs can be applied to repayment of the SMIF loan. The sooner the SMIF loan balance is reduced, the lower the Wildfire Fund's interest expense is for the SMIF Loan, and hence the more funds remain in the Wildfire Fund for payment of wildfire claimants.

As of mid-January, DWR was holding approximately \$150 million in collected NBCs. Thus far, DWR has been able to release slightly more than \$54 million to help repay the SMIF Loan. Before making any releases of NBCs, DWR is first allocating NBCs to pay DWR's administrative and operating costs for its NBC collection activities. DWR estimates that its expenses will be in excess of \$12 million per year for the full 15-year NBC collection period, or more than \$180 million over the life of the NBCs under the CPUC Decision.

Evaluation of Administrative Options.

During the October 22, 2020 Council meeting, the Council requested that CEA beginning to evaluate whether there are more efficient options for the collection and administration



of the NBCs that would allow the Wildfire Fund assets to be maximized for claim paying purposes by reducing administrative expenses.

Since the October meeting, CEA has been exploring a range of options as requested by the Council, including:

- Seeking to assist DWR in enhancing efficiency in administering the NBCs;
- Evaluation of whether interagency agreements could be negotiated, under which some or all DWR functions would be delegated to others with lower cost structures; and
- Evaluation of the viability of statutory changes to transfer DWR's responsibilities to CEA or another entity with similarly lower cost structures.

This work is ongoing. CEA staff will provide the Council with a more detailed status report on these matters at the time of the meeting.



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 8: California Wildfire Fund 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, 2020.



FINANCIAL REPORT

December 31, 2020

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	December 31, 2020	December 31, 2019
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 511,921,154	\$ 170,912,277
Investments	<u>9,583,274,855</u>	<u>4,599,954,544</u>
Total cash and investments	10,095,196,009	4,770,866,821
Interest receivable	41,877,004	17,942,466
Prepaid expenses	<u>166,667</u>	<u>162,000</u>
Total assets	<u>\$ 10,137,239,680</u>	<u>\$ 4,788,971,287</u>
Liabilities and Net Position		
Accounts payable and accrued expenses	\$ 1,340,324	\$ 667,651
Related party payable - CEA	94,462	736,882
Securities payable	387,226	447,511
SMIF loan interest payable	<u>11,837,562</u>	<u>11,814,207</u>
Total liabilities	<u>13,659,574</u>	<u>13,666,251</u>
Net position:		
Unrestricted	<u>10,123,580,106</u>	<u>4,775,305,036</u>
Total net position	<u>10,123,580,106</u>	<u>4,775,305,036</u>
Total liabilities and net position	<u><u>\$ 10,137,239,680</u></u>	<u><u>\$ 4,788,971,287</u></u>

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

UNAUDITED

	Twelve Months Ended December 31, 2020	Six Months Ended December 31, 2019
Additions to fund assets:		
Utility contributions	\$ 5,307,600,000	\$ 2,792,400,000
SMIF loan proceeds	-	2,000,000,000
	5,307,600,000	4,792,400,000
Total contributions	5,307,600,000	4,792,400,000
Investment income & expenses	82,955,099	25,173,641
Change in unrealized gain/(loss)	104,136,204	(9,809,764)
	187,091,303	15,363,877
Net investment income	187,091,303	15,363,877
Other income	-	8,330
	5,494,691,303	4,807,772,207
Total additions to fund assets	5,494,691,303	4,807,772,207
Deductions to fund assets:		
Reinsurance expenses	26,208,000	13,104,000
Reinsurance broker commissions	486,000	412,000
SMIF loan principal payments	70,000,000	-
SMIF loan interest expense	47,055,723	17,849,726
Personnel expenses	1,091,872	582,177
General and administrative expenses	1,574,638	519,268
	146,416,233	32,467,171
Total deductions to fund assets	146,416,233	32,467,171
Increase in net position	5,348,275,070	4,775,305,036
Net position, beginning of year	4,775,305,036	-
Net position, end of year	\$ 10,123,580,106	\$ 4,775,305,036

Contributions Received

**California Wildfire Fund
Contributions Received
As of December 31, 2020**

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. SDG&E 2020 annual contribution	12/16/2020	12,900,000
9. SoCal Edison 2020 annual contribution	12/28/2020	94,500,000
10. PG&E 2020 annual contribution	12/30/2020	<u>192,600,000</u>
	Total	<u><u>\$ 10,100,000,000</u></u>

Personnel and G&A Expenses

**California Wildfire Fund
Operating Expenses**

Personnel expenses

Description	Twelve Months Ended December 31, 2020	Six Months Ended December 31, 2019
1. Amounts allocated from CEA employee time	\$ 916,878	\$ 438,067
2. Direct expenses from CWF temps	174,994	144,110
Total Personnel expenses	1,091,872	582,177

General and administrative expenses

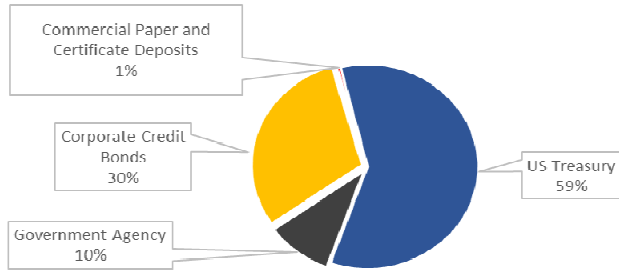
1. Outside Legal Expense	625,250	170,780
2. Consulting - Financial Services	300,000	170,242
3. Other contracted services	295,638	-
4. Bank Fees	179,039	45,079
5. Equipment, Hardware, and Software expense	85,142	66,329
6. Office Rent, Parking, and Maint	48,950	22,032
7. Telecom Expense	10,646	4,679
8. IT Services	9,372	28,818
9. Audit Fees	6,732	-
10. Travel	6,407	3,934
11. Wildfire Risk Training Conference	4,185	-
12. Office Supplies	1,768	959
13. Misc Expense	1,509	916
14. RFQ Expense	-	5,500
Total G&A expenses	1,574,638	519,268
Total Operating Expenses	\$ 2,666,510	\$ 1,101,445

Investment Analysis

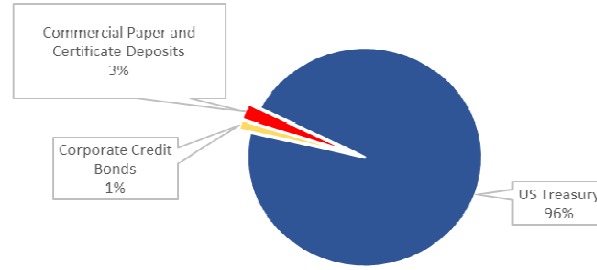
**California Wildfire Fund
Investments Analysis
12/31/2020**

The revised investment policy became effective on June 22, 2020 and will allow the CWF to increase its income return by taking advantage of credit diversity and composition along with an increased duration while still meeting its goal of preserving principal and liquidity.

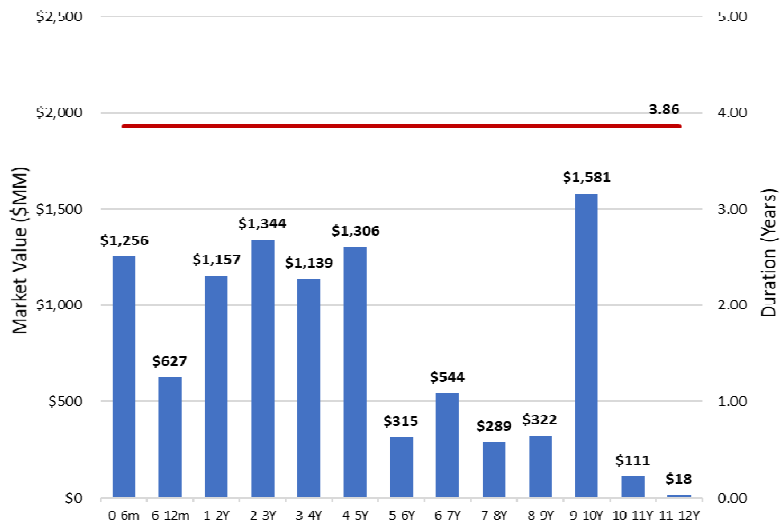
CWF Asset Allocation: December 31, 2020



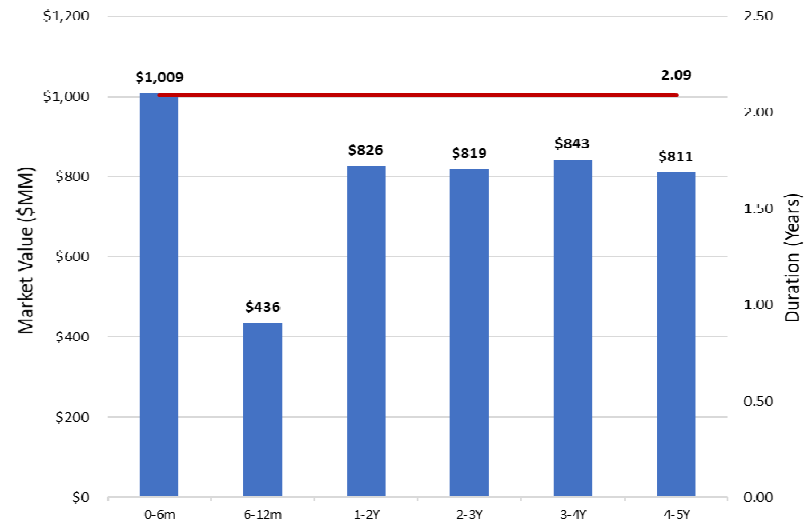
CWF Asset Allocation: December 31, 2019



Maturity Distribution: December 31, 2020



Maturity Distribution: December 31, 2019



California Wildfire Fund
Investments Analysis (continued)
12/31/2020

California Wildfire Fund Investment Analysis														
Amount (as of December 31, 2020)		Yields		Total Return (Gross of Fees)				Income Return (Net of Fees)				Effective Duration (Years)	Actual Mark-to-Market (\$000's)**	
	Par Value (\$000's)*	Market Value (\$000's)	Yield At Acquisition	Yield To Maturity	1-Month (December)	1-Month Prior (November)	3-Month	12-Month	1-Month (December)	1-Month Prior (November)	3-Month	12-Month	Dec. 2020	Dec. 2020
All Funds Total	\$9,583,943	\$10,009,150	0.989%	0.511%	0.112%	0.384%	0.222%	3.729%	0.140%	0.132%	0.408%	1.676%	3.86	94,660

California Wildfire Fund
Investment Analysis
12/31/2019

California Wildfire Fund Investment Analysis														
Amount (as of December 31, 2019)		Yields		Total Return (Gross of Fees)				Income Return (Net of Fees)				Effective Duration (Years)	Actual Mark-to-Market (\$000's)**	
	Par Value (\$000's)*	Market Value (\$000's)	Yield At Acquisition	Yield To Maturity	1-Month (December)	1-Month Prior (November)	3-Month	12-Month	1-Month (December)	1-Month Prior (November)	3-Month	12-Month	Dec. 2019	Dec. 2019
All Funds Total	\$4,699,968	\$4,744,102	1.600%	1.602%	0.130%	-0.048%	0.361%	NA	0.139%	0.128%	0.395%	NA	2.09	(9,811)

Notes:

* Par value does not include amortization of premiums or accretion of discounts.

** Mark-to-market values are per BondEdge and may differ from mark-to-market values as shown in the financials due to the timing differences of security valuations.

Cost Allocation

California Wildfire Fund

Cost Allocation Methodology and Calculation for the Twelve Months Ended December 31, 2020 and for the Six Months Ended December 31, 2019
12/31/2020

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 Twelve Months Ended Dec'20 and for the Six Months Ended Dec'19.

Department	Preliminary 12 months ended Dec'20		6 months ended Dec'19		CWF Salary & Benefit costs =	Dec'20	Dec'19
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	413.5	25,719	81.6	5,790		891,962 A	438,067
2. Exec	686.7	139,763	217.9	48,680		27,276,452 B	13,506,594
3. Finance	3,161.9	341,626	1,588.2	204,993		28,168,414 C	13,944,661
4. IT	17.5	1,702	294.0	37,078			
5. Internal Ops	88.0	7,510	298.3	39,973	Allocation % =	3.17% = A/C	3.14%
6. Insurance Ops	230.6	45,003	-	-			
7. Legal	2,098.3	330,639	591.4	101,553			
Total Direct Hours/Costs	6,696.4	891,962	3,071.3	438,067			

All other indirect costs were allocated to the CWF based on the 3.17% and 3.14% allocations noted above. The following indirect expenses were charged to the CWF:

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	42,543	19,882
Rent-Office Equip/Furniture	86450-16	3,816	1,715
Building Maintenance and Repairs	86475-16	2,589	435
EDP Hardware <5000	86505-16	502	17,050
EDP Software <5000	86506-16	12,683	1,421
Furniture/Equipment <\$5000	86500-16	39,922	73
Office Supplies	86510-16	988	859
Postage	86530-16	29	30
HR and IT staff allocation	85101-16	24,916	-
Telecommunications	86550-16	10,647	4,629
IT Services	88195-16	5,944	12,700
Total Indirect Costs		144,579	58,793
Total Costs		1,036,541	496,860



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 9: 2021 California Wildfire Fund Proposed Budget

Recommended Action: Approve Proposed Budget for 2021 California Wildfire Fund Administrative Costs

Background:

AB 1054 provides that all expenses of administration of the Wildfire Fund must be borne solely by the Fund and paid from Fund assets. In CEA's initial capacity as Interim Administrator of the Fund, CEA was able to utilize its existing staff and resources to perform all its responsibilities as Administrator, supplemented only with minimal short-term temp staffing during the first few months. CEA developed and refined a cost allocation methodology that ensures that CEA's overhead and expenses are appropriately allocated and paid from either the Wildfire Fund or the CEA Earthquake Fund. Neither of these funds subsidize the administration of the other fund.

Since being appointed permanent Administrator in early 2020, CEA has avoided adding additional permanent staffing to fulfill its Wildfire Fund administration responsibilities. CEA has a long track record for efficient and prudent operations that it has incorporated into its functions as Administrator of the Wildfire Fund. CEA's designation as Administrator, together with PG&E's emergence from bankruptcy and funding of its initial capital requirements, is enabling CEA to make prudent, longer term staffing and resource decisions to ensure the effective and efficient administration of the Wildfire Fund.

A key element of that resource planning is generating an operating budget specific to the Wildfire Fund. CEA operates under the direction of the CEA Governing Board, which overlaps with the Council in that the Governor, Treasurer, Insurance Commissioner and appointees of both bodies of the Legislature are members of both the Governing Board and the Council. In preparing CEA's 2021 operations budget for submission to the Governing Board, CEA recognized and incorporated into that budget the fact that some operating expense would be allocated to the Wildfire Fund as required by statute, subject to a separate Wildfire Fund budget process that is overseen by this Council.



This is the first submission of an annual Wildfire Fund budget to the California Catastrophe Response Council for approval.¹ CEA has prepared the Wildfire Fund budget to coordinate seamlessly with CEA's broader operating budget. By way of budget process and tracking, CEA staff will perform the following procedures on the Wildfire Fund budget for fiscal year 2021, as approved by the Council:

- After each month-end close, CEA staff will compare actual additions and deductions to budgeted additions and deductions then document variances and send the comparisons to the CEA Controller and CFO for approval.
- In mid-August 2021, the finance budget team will update the consolidated budget projections with the most recent data provided from the CEA functional Departments' monthly projection schedules. After the mid-year budget revision is approved by the CFO, the finance budget team will prepare a memorandum to the Council with supporting documents explaining any mid-year budget revisions. All budget augmentations (increases) will be highlighted and explained to the Counsel along with CEA's request for approval. Even if the mid-year budget revision does not increase the total budget, the budget revision will be still be presented to the Council for informational purposes and to address any Council questions or concerns.
- At each quarterly Council meeting, CEA staff (generally the CFO) will present the budget-to-actual comparisons for each of the line items included in the approved budget.

Analysis:

Staff has prepared two attachments to assist the CCRC in comparing and analyzing the proposed 2021 budget for the Wildfire Fund.

- **Attachment A: 2021 Proposed Budget vs 2020 Actual Activity**
 - This attachment compares the 2020 Actual Activity to the proposed 2021 Wildfire Fund Budget
- **Attachment B: Update on Wildfire Non-Bypassable Charges (NBCs) collected from Participating IOU ratepayers**
 - This attachment is an update on the current status of NBCs collected by the participating IOUs and remitted to the Department of Water Resources

¹ The fiscal year established for the Wildfire Fund is the calendar year.



Recommendation:

Staff recommends the following Board actions:

- Approve the proposed 2021 Wildfire Fund budget; and
- Direct staff to operate Wildfire Fund business operations consistent with the approved budget, subject to any future periodic adjustments as the Council may approve.

California Wildfire Fund
2021 Proposed Budget vs 2020 Actual Activity (as of December 31, 2020)

	Proposed 2021 Budget	Actual Activity for FY 2020	Difference
Additions to fund assets:			
Rate payer monthly NBCs, gross ¹	\$ 902,400,000	\$ -	\$ 902,400,000
Utility annual contributions	300,000,000	300,000,000	-
Investment income (net of expenses)	81,937,986	82,955,099	(1,017,113)
Initial contribution - PG&E	-	4,815,000,000	(4,815,000,000)
2019 annual contribution - PG&E	-	192,600,000	(192,600,000)
Total additions to fund assets	\$ 1,284,337,986	\$ 5,390,555,099	\$ (4,106,217,113)
Deductions to fund assets:			
SMIF - principal payment	\$ 840,000,000	\$ 70,000,000	\$ 770,000,000
SMIF - loan interest	36,106,945	47,064,736	(10,957,791)
DWR administrative and operating costs ¹	12,000,000	-	12,000,000
Reinsurance expenses	-	26,208,000	(26,208,000)
Reinsurance broker commissions	-	486,000	(486,000)
<i>Personnel expenses:</i>			
Personnel expenses - allocated from CEA	1,462,596	916,878	545,718
Direct expenses from CWF temps	-	174,994	(174,994)
<i>General and administrative expenses:</i>			
Other contracted services	1,100,200	295,638	804,562
Direct legal services-general	700,000	625,250	74,750
Consulting fees - financial services	300,000	300,000	-
Bank fees	248,638	179,039	69,599
G&A expenses - allocated from CEA	234,624	124,028	110,596
Travel	20,000	6,407	13,593
Software and licenses	12,000	25,912	(13,912)
Direct IT services	12,000	9,372	2,628
Advertising administration - RFP	10,000	-	10,000
Audit Fees	6,000	6,732	(732)
Printing & stationary	1,200	751	449
Governing board meeting expenses	1,200	1,509	(309)
Total deductions to fund assets	\$ 892,215,403	\$ 146,425,246	\$ 745,790,157
Increase in net position	\$ 392,122,583	\$ 5,244,129,853	\$ (4,852,007,270)

¹ - See Attachment B for an update on the current status of Nonbypassable Charges collected by the Department of Water Resources to be deposited in the Wildfire Fund.

**California Wildfire Fund
Update on Wildfire Nonbypassable Charges
as of January 20, 2021**

Total claims paying capacity of the Wildfire Fund is approximately \$21 billion. A component of the capacity is Wildfire Nonbypassable Charges ("NBCs") collected from IOU ratepayers in the annual amount of approximately \$902.4 million through January 1, 2036. The Department of Water Resources ("DWR") has been authorized to aggregate and collect NBCs from ratepayers starting in October 2020. CWF was initially capitalized with a short-term loan in the amount of \$2 billion from the California Treasurer's Surplus Money Investment Fund ("SMIF Loan") accruing interest at the rate of 2.35%. The Wildfire Fund Legislation directs that it is the intent of the Legislature that the SMIF Loan be repaid "as quickly as possible" within a fiscal year and mandates that the loan be paid off "as soon as practicable" and "shall be repaid" by the Wildfire NBCs or the proceeds of revenue bonds issued by DWR and secured with a pledge of the Wildfire NBCs.

DWR is required to at least annually allocate or cause to be allocated the Wildfire NBCs for specified priority purposes, including, but not limited to, repayment of the SMIF Loan, before transferring the remaining Wildfire NBCs to the CWF. In consultation with the State Treasurer's Office ("STO"), the Department of Finance ("DOF"), and CEA, DWR has determined to delay the issuance of DWR revenue bonds secured by the Wildfire NBCs, and instead will allocate the collected Wildfire NBCs to the repayment of the SMIF Loan pursuant to an amortization schedule negotiated among CEA, STO and DOF, with monthly principal payments of \$70 million which began on December 29, 2020 and will end in April of 2023.

In December 2020 the CEA executed a SMIF Loan Repayment Agreement with the DWR. The CEA agreed to and established a SMIF Payment Account with one of its investment managers to receive NBC funds and take reasonable steps to ensure that funds in the SMIF Payment Account are (a) segregated from the CWF general account from which eligible claims against the CWF are paid; and (b) are applied for the sole and exclusive purpose of holding funds allocated to the repayment of principal and interest on the SMIF Loan, until the SMIF Loan is paid in full.

The agreement also allows CWF to make "Top Up" Deposits based on the following: If (i) funds then on deposit in the SMIF Payment Account are insufficient to fund monthly principal and/or quarterly interest payments on the SMIF Loan scheduled to be paid on the next payment date specified in the SMIF loan repayment schedule, and (ii) such SMIF Loan payment or payments are scheduled to be made prior to the next scheduled Charge Fund deposit, CEA shall, on or before the payment date, transfer to the SMIF Payment Account available and unallocated CWF funds, if any, in the amount required to ensure there will be sufficient funds on deposit in the SMIF Payment Account to fund the SMIF interest and/or principal payments scheduled to be paid prior to the next Charge Fund deposit. CEA also agrees that it shall not release or authorize the release of any funds in the SMIF Payment Account for any purpose other than making interest and/or principal payments on the SMIF Loan until the loan is paid in full. Upon the full repayment of the SMIF Loan, CEA may release all remaining funds in the SMIF Payment Account to the CWF.

At the end of each calendar month NBCs on deposit with the DWR shall be calculated and transferred to the CWF no later than the 15th day of the second succeeding calendar month, starting on January 15, 2021. These funds will be reduced to pay the administrative and operating costs incurred by the DWR, which are anticipated to be approximately \$12 million annually. An initial reduction of \$9 million to repay a loan from the State General Fund was withheld from the October 2020 NBCs collected by the DWR. On Tuesday, January 19, 2021, the October 2020 and November 2020 NBC's were received by the CWF. The first principal payment of \$70 million and the quarter-ending December 31, 2020 interest payment of \$11,837,562 were paid by the CWF using "Top Up" deposits from unallocated CWF funds. The following detail was provided by the DWR for NBCs collected in the month of October 2020 and November 2020.

1. NBC's collected in October 2020	14,529,887	
2. General Fund repayment	(9,000,000)	
3. October A&O expense withholding - DWR	(1,000,000)	
	4,529,887	Due to CWF on 1/15/2021
1. NBC's collected in November 2020	50,257,447	
2. November A&O expense withholding - DWR	(500,000)	
	49,757,447	Due to CWF on 01/15/2021
	54,287,334	1st installment received by the CWF on January 19, 2021



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 10: Wildfire Fund Tax Status

Recommended Action: No action required—information only

CEA General Counsel Tom Welsh will provide the Council with a status report on CEA's legal analysis and work related to confirming and validating the administration of the Wildfire Fund as a tax exempt integral part of the State of California.



California Catastrophe Response Council Memorandum

January 28, 2021

Agenda Item 11 Utility Company Insurance Evaluations

Recommended Action: No action required—information only

Background.

Among the various statutory responsibilities assigned to CEA as Administrator of the Wildfire Fund is the task of conducting periodic reviews of the insurance coverages maintained by the Participating Investor-Owned Utilities (IOUs) that cover the amount of losses from covered wildfires an IOU must pay before seeking reimbursement from the Wildfire Fund. More specifically, Public Utilities Code section 3293 provides as follows:

A participating electrical corporation shall maintain reasonable insurance coverage. **The administrator shall periodically review and make a recommendation as to the appropriate amount of insurance coverage required**, taking into account the availability of insurance, the electrical corporation's service territory, including the fire risk of the territory, the size of the territory, and the value of the real estate in the territory, the safety record of the electrical corporation, the wildfire mitigation measures implemented by the electrical corporation, the impact to the ratepayers, and other factors deemed appropriate by the administrator.

The IOUs are interested in engaging with CEA and hearing recommendations regarding their respective insurance programs and thoughts on the reasonableness of those programs. CEA has extensive insurance marketplace expertise, particularly as it relates to natural catastrophe and earthquake insurance, and is now adding expert resources to assist in evaluating the unique and complex risk profile of utility company operations in order to carry out this statutory insurance review. Section 3293 enumerates a variety of IOU-specific factors that must be taken into considered during these periodic reviews. CEA will take steps and add resources to ensure that these reviews are completed with diligence, credibility and collaboration with key stakeholders, including CPUC and the IOUs.



Next Steps & Timeline.

CEA has investigated qualifications of energy sector consultants and has identified two particular firms that are extremely well qualified and have a high degree of familiarity with AB 1054. CEA will report on the status of procuring such expert services to assist in CEA's execution on these responsibilities.