

California Catastrophe Response Council
Report to the Legislature and Department of Finance
on the
Formation, Administration, and Disposition of the Wildfire Fund
(“Statutory Report”)
January 1, 2023

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Background

On July 12, 2019, Governor Gavin Newsom signed Assembly Bill (“AB”) 1054 and AB 111 (collectively, the “2019 Wildfire Legislation”).¹ The 2019 Wildfire Legislation enacts a broad set of reforms and programs related to utility-caused wildfires in California, including establishing the Wildfire Fund (“Fund”).

Pursuant to California Public Utilities Code section 3287, this Statutory Report on the formation, administration, and disposition of the Wildfire Fund has been prepared by the California Catastrophe Response Council (“Council”), with the assistance of the California Earthquake Authority in its capacity as the Wildfire Fund Administrator (“Administrator”) and is hereby filed with the Legislature and the Department of Finance.² The information in this Statutory Report is similar, but not identical to, the information contained in the 2022 Annual Report on the California Wildfire Fund’s Operations (available electronically at www.cawildfirefund.com/annual-legislative-report). The 2022 Annual Report covers the period of July 12, 2021, through July 11, 2022, and is incorporated into this Statutory Report.

Fund Assets

The 2019 Wildfire Legislation created a capitalization structure that establishes multiple revenue streams flowing into the Fund to provide approximately \$21 billion in claim-paying capacity to cover eligible claims arising from covered wildfires. The approximately \$21 billion in claim-paying capacity is generated from two revenue streams: surcharges on non-exempt ratepayers of IOUs, which are also referred to as Wildfire Nonbypassable Charges (“NBCs”), and contributions from the equity base of the IOUs. The 2019 Wildfire Legislation also required that the Fund be initially capitalized in the form of a short-term \$2 billion loan from the SMIF, a fund within the State’s Pooled Money Investment Account.

As the table on the following page shows, as of December 13, 2022, the Fund has received \$12,301,732,566 in capitalization. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue debt backed by the NBCs.

¹ AB 1054 was subsequently amended by AB 1513 (Holden, Chapter 396, Statutes of 2019).

² In July 2019, a lawsuit, *Cannara v. Nemeth, Newsom et al*, was filed in the US District Court in San Francisco, on behalf of several utility ratepayers, and sought to overturn the 2019 Wildfire Legislation on constitutional grounds and enjoin the California Public Utilities Commission and all the State entities from implementing the 2019 Wildfire Legislation. That attack on the 2019 Wildfire Legislation failed. In June 2020, the US District Court dismissed the case under the Johnson Act, and as of July 2022, the plaintiffs have exhausted all available appeals. This challenge to the 2019 Wildfire Legislation was resolved in favor of the defendants. Future Statutory Reports will only include information about any active litigation concerning the 2019 Wildfire Legislation.

**California Wildfire Fund
Contributions & NBCs Received
As of December 13, 2022**

Description	Date Received	Amount
1. SMIF Loan Proceeds	8/15/2019	\$ 2,000,000,000
2. SDG&E initial capital contribution	9/9/2019	322,500,000
3. SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
4. SDG&E 2019 annual contribution	12/19/2019	12,900,000
5. SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
6. PG&E initial capital contribution	7/1/2020	4,815,000,000
7. PG&E 2019 annual contribution	7/1/2020	192,600,000
8. 2020 IOU annual contributions	December-20	300,000,000
9. 2021 IOU annual contributions	December-21	<u>300,000,000</u>
	Total Contributions	10,400,000,000
1. NBC Funds Received	Throughout 2021	875,076,564
2. NBC Funds Received	Throughout 2022	<u>1,026,656,002</u>
	Total NBCs	1,901,732,566
	Total Funds Received	<u>\$ 12,301,732,566</u>

Note 1:

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

NBCs and Repayment of the \$2 billion SMIF Loan

The Fund was initially capitalized with a short-term loan in the amount of \$2 billion from the SMIF, which is accruing interest at the rate of 2.35%. The Department of Water Resources (“DWR”) was authorized under the 2019 Wildfire Legislation to collect and administer NBCs starting in October 2020.

DWR is required to allocate and distribute the NBCs for specified priority purposes, including paying its own administrative and overhead expenses and facilitating the prompt repaying of the SMIF loan. Amounts of NBCs not allocated to a priority purpose are to be transferred to the

Fund where the funds may be used to pay eligible claims following a covered wildfire. 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.

CEA in its role as the Administrator, DWR, the State Treasurer's Office, and the Department of Finance collectively determined to allocate the collected NBCs to the repayment of the SMIF loan pursuant to an amortization schedule negotiated among the parties. The amortization schedule provides for the Administrator to pay monthly principal payments of \$70 million, and quarterly interest payments. Principal payments began on December 29, 2020 and will end in April 2023. Once the \$2 billion SMIF loan is repaid, the NBCs will flow directly into the Fund to provide claim-paying capacity.

Claims Summary.

As of December 13, 2022, no claims were made by any of the IOUs on the Fund.