



TABLE OF CONTENTS

April 28, 2022

| | | |
|--------|--|---------|
| Agenda | Public Notice & Agenda (Published April 18, 2022) | Page 2 |
| Item 2 | Meeting Minutes for January 27, 2022 | Page 6 |
| Item 3 | Executive Report | Page 13 |
| Item 4 | Administrator Evaluation | Page 14 |
| Item 5 | Informational Presentation | Page 15 |
| Item 6 | Financial Report | Page 16 |
| Item 7 | Claims Administration Update | Page 31 |
| Item 8 | Public Utilities Code Section 3293 Insurance Framework | Page 34 |
| Item 9 | Enterprise Risk Management Program | Page 37 |



Date of Notice: April 18, 2022

PUBLIC NOTICE

A PUBLIC MEETING OF THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL

NOTICE IS HEREBY GIVEN that the California Catastrophe Response Council (Council) will conduct a **public meeting as described in this Notice**. Pursuant to California Government Code §11120 *et seq.*, the Bagley-Keene Open Meeting Act applies generally to meetings of the Council, and the meeting is open to the public – public participation, comments, and questions will be welcome for agenda items on which the Council is considering taking action. All items on the Agenda are appropriate for action if the Council wishes to take action. Agenda items may be taken out of order. 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: April 28, 2022

TIME: 2:00 p.m.

LOCATION: California Office of Emergency Services (Cal OES)
3650 Schriever Ave
Mather, CA 95655
Room MPR-1

Please Note: All visitors to Cal OES are required to check-in with Cal OES Security and are further required to take a rapid test for COVID-19 administered by Cal OES staff. Once administered, visitors will be escorted to the meeting room without having to await test results. Only those testing positive will be notified of their test results. All meeting attendees should allow extra time for the administration of these public safety procedures.

ZOOM ACCESS TO MEETING:*

By Computer (Open the Zoom App, or navigate to www.zoom.com):

<https://us02web.zoom.us/j/84797784375?pwd=RFIVUzI2a1lhOE9qUEFITWQ1WU1TUT09>

Meeting ID: 847 9778 4375

Passcode: BpV5PHf^

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

Enter Access code: 847 9778 4375

Passcode: 93851435

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

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comment at this public meeting. Members of the public who wish to participate in the meeting are encouraged to attend in person. If joining using Zoom or phone access, the telephone lines and Zoom links of members of the public will initially be muted to prevent background noise from inadvertently disrupting the meeting. Phone lines and Zoom links will be unmuted upon request during all portions of the meeting that are appropriate for public comment to allow members of the public to comment.

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

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

Establishment of a quorum

2. Minutes: Review and approve the minutes of the January 27, 2022, meeting of the Council.
3. Executive Report: CEA Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.
4. Administrator Evaluation: Council Members Rich Gordon and Paul Rosenstiel will present the results of the Council's evaluation for 2021 of the CEA's performance as Administrator of the Wildfire Fund.
5. Informational Presentation: Dr. Laurie Johnson, CEA Chief Catastrophe Response & Resiliency Officer, will present a proposed schedule for discussion of utility wildfire mitigation and safety programs, starting with OEIS Director, Caroline Thomas Jacob's presentation on wildfire safety plan review and safety certifications.
6. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of March 31, 2022.
7. Claims Administration Update: Dr. Johnson will introduce the team from Sedgwick, which is contracted as claims review services provider to CEA, and provide an update and overview of the CEA's preparations and readiness to administer claims on the Wildfire Fund.
8. Section 3293 Insurance Framework: CEA Chief Risk & Actuarial Officer Shawna Ackerman and Nathan Pollack of Scidan Consulting will present the final framework (model) that will aid the Administrator in making periodic adjustments to the \$1 billion per year IOU liability retention.
9. Enterprise Risk Management: Ms. Ackerman will provide an update on the Enterprise Risk Management program for the California Wildfire Fund.
10. 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.
11. Adjournment.

For further information about this notice or its contents:

Agenda Information:

Tom Welsh
General Counsel
(916) 661-5527 (Direct)
Toll free: (877) 797-4300
twelsh@calwildfire.com

General Meeting Information:

Susan Johnson
Governance Liaison
Toll free: (877) 797-4300
sjohnson@calwildfire.com

Media Contact:

(279) 203-5998
media@calquake.com

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

April 28, 2022

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of January 27, 2022 Meeting

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

DRAFT

CALIFORNIA CATASTROPHE RESPONSE COUNCIL MINUTES

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

Members of the Council in Attendance:

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
Catherine Barna, 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
Tom Welsh, General Counsel
Laurie Johnson, Chief Catastrophe Response & Resiliency Officer
Shawna Ackerman, Chief Risk & Actuarial Officer
Susan Johnson, Governance Liaison

1. Quorum: Call to Order and Member Roll Call

Vice-Chair Richard Gordon called the meeting, held via Zoom, to order at 2:02 p.m.

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

2. Minutes: Review and approve minutes of the October 28, 2021 meeting of the Council.

MOTION: Mr. Cash motioned to approve the October 28, 2021 meeting minutes as written. Ms. O'Connor seconded. The motion carried unanimously by roll call vote.

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

Mr. Pomeroy reported that Michael Wara, designee for the Senate Committee on Rules, has indicated that he is stepping down from serving on the Council. A replacement has

not yet been appointed. Vice-Chair Gordon requested Mr. Pomeroy draft a letter to Mr. Wara thanking him for his service on the Council.

Mr. Pomeroy then provided a brief review of the Administrator's Wildfire Fund activities in 2021. Highlights he reported to the Council included:

- Development of a performance evaluation process for the CEA, as Wildfire Fund Administrator.
- Management of \$21 billion in claim-paying capacity, which includes current and future collections by DWR of the ratepayer Non-Bypassable Charges (NBCs), and the CEA's collections of annual contributions from the investor-owned utilities (IOUs).
- The Council approved the Wildfire Fund Claims Administration Procedures, which was then followed by an RFP process to secure the services of a claims service provider.
- The Administrator's activities related to the Wildfire Fund were incorporated into the CEA's Enterprise Risk Management framework, and a schedule for quarterly ERM reports to the Council was established.
- A process for monitoring, evaluating, and reporting to the Council on the projected durability of the Wildfire Fund has been established.
- Efficient and effective Wildfire Fund administration is evidenced by the fact that 2021 actual expenditures came in at approximately 70 percent of the 2021 budget forecast.
- Administratively:
 - The Memorandum of Coverage to the three IOUs has been finalized.
 - The annual review of loss retentions for the IOU is underway.
 - The Plan of Operations and all other statutory reporting is in place.
 - Processes are in place for monitoring all wildfires in California, with emphasis on wildfires with a potential to be "covered wildfires" that could produce claims on the Fund.

4. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of November 30, 2021.

Mr. Hanzel reported to the Council that through November 30, 2021, the Wildfire Fund had a total net position of \$9.95 billion, which is relatively flat compared to last year. Additions to the fund included almost \$800 million in payments from non-bypassable charges, while approximately \$800 million in payments and interest was repaid on the SMIF loan.

Mr. Hanzel noted the Wildfire Fund's investment income stood at \$89 million for this year, up approximately \$15 million from a year ago, adding that approximately 65% of

the investment portfolio is in U.S. Treasuries and Agencies. SMIF loan payments of \$70 million per month continue, putting the fund on track to extinguish it in April 2023.

Mr. Hanzel then listed the annual contributions from the investor-owned utilities as well as the non-bypassable charges flowing from ratepayers through the Department of Water Resources and into the Wildfire Fund. He concluded by showing the investment numbers noting the market value of the portfolio is roughly the same as a year ago, and the investment portfolio maintains a healthy average credit rating of “AA”. He then displayed the portfolio’s monthly activity noting that Asset manager fees have been added into the table as “Income return gross of fees”.

Ms. Rossman applauded Mr. Hanzel and his team on the overall investment results and the low asset management fees.

5. California Wildfire Fund 2022 Budget: Mr. Hanzel will seek approval of the proposed 2022 California Wildfire Fund Budget.

Mr. Hanzel noted that this is the second time he has brought a proposed budget to the Council seeking the Council’s approval. He stated he is pleased that the Wildfire Fund came in under last year’s budget and that his team hopes to have a similar outcome in 2022.

Mr. Hanzel then presented the proposed 2022 budget, including both additions and deductions from the fund. The projected net additions to the fund in 2022 are \$528,652,719, which is up from the 2021 budget of \$392,122,592. Regarding the deductions, he noted that Personnel costs are projected to decrease from the prior year approved budget but be slightly higher than 2021 actual costs. Additionally, General and Administrative expenses are expected to increase compared to prior year budget and actuals, which he attributed to the selection of a new Claims Review Services Provider, additional contracted services, an investment in new Wildfire Fund investment software and personnel expenses.

Questions and Discussion

Ms. Rosenstiel congratulated Mr. Hanzel and his team on bringing in the 2021 spending under budget and asked if any budget line items might decrease over time and if the Wildfire Budget will increase in future years if there are wildfire claims against the Fund.

Mr. Hanzel replied that we are still building infrastructure; once we get through that, those numbers will come down. If there are claims against the fund, all numbers would be elevated.

Mr. Gordon added his congratulations to Mr. Hanzel and team for their budget management.

Public Comment

There was no public comment.

MOTION: Ms. Rossman motioned to approve proposed budget. Mr. Rosenstiel seconded. The Motion carried unanimously by roll call vote.

6. Administrator Evaluation: Mr. Pomeroy will ask the Council to appoint two members to the informal Administrator Evaluation Subcommittee for the purpose of preparing the evaluation of CEA as the Wildfire Fund Administrator for 2021.

Mr. Pomeroy stated that last year, Mr. Rosenstiel and Ms. Barna served on a Council subcommittee to begin the process of developing an evaluation form that could be used going forward in which they solicited input from the entire Council and aggregated the information received to compile an evaluation of CEA as the Wildfire Fund Administrator.

Mr. Pomeroy suggested a similar approach be taken this year to evaluate the Wildfire Fund Administrator's performance in 2021. Mr. Gordon and Mr. Rosenstiel agreed to serve on the Council subcommittee and will begin the process of preparing the 2021 evaluation of CEA as Wildfire Fund Administrator.

7. Fund Administration Update: CEA General Counsel Tom Welsh will provide an update on two matters related to the administration of the Wildfire Fund: (a) the Memorandum of Insurance Coverage to be delivered to the three participating investor-owned utility companies (IOUs), and (b) the Administrator's framework for periodically reviewing and making recommendations to each IOU on its wildfire insurance coverage, pursuant to Public Utilities Code section 3293.

(a) Memorandum of Coverage: Mr. Welsh reported first on the Memorandum of Coverage. When CEA was first appointed as the interim administrator of the Wildfire Fund under AB 1054, the CEA determined it would be beneficial to prepare a uniform document to be delivered to the three participating IOUs setting forth the terms and conditions under which they may assert claims on the Fund. The result was a draft "Memorandum of Coverage." Following the approval of the Claims Procedures in mid-2021, the form of Memorandum of Coverage was finalized in the fourth quarter of 2021, following review by and input from the IOUs.

The last item to be completed on the Memorandum of Coverage is to allow the IOUs to define the 12-month period during which they can aggregate wildfire losses for purposes of meeting their respective \$1 billion annual retention before they can start submitting claims to the Fund for reimbursement.

Questions and Discussion

Mr. Rosenstiel asked if once the investor-owned utilities determine their insurance coverage levels in a given year, are the IOUs subsequently able to change their coverage period to retroactively impact what claims are incurred in the coverage year for purposes of meeting their \$1 billion retention? Mr. Welsh replied that while the utility companies can change their coverage levels in *future* years, they cannot go back and retroactively change coverage levels for past years.

(b) Section 3293 Framework: Mr. Welsh and Ms. Ackerman also provided background and an update on the Section 3293 framework. Ms. Ackerman explained that the framework developed for this annual review of the IOUs' insurance programs is meant to aid the Administrator in managing the durability of the Wildfire Fund over a number of years.

Both Mr. Welsh and Ms. Ackerman advised the Council that as a result of the 3293 Framework development, and the absence of claims since 2019, the IOUs have been advised that their insurance coverage levels for the upcoming wildfire season will remain at the statutory \$1 billion retention level.

8. Claims Administration: CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson will provide an update on the implementation of the Claims Administration Procedures for the Wildfire Fund

Dr. Johnson reported that after a thorough selection process, Sedgwick had been chosen as the Wildfire Fund's claims review services provider. Sedgwick has approximately 30,000 employees with offices around the world, including trained claims adjusters skilled at handling wildfire claims.

Ms. Rossman asked if Sedgwick is a West Coast firm and Dr. Johnson replied they are a global company and have a West Coast office. Dr. Johnson added that the Administrator had been particularly impressed with Sedgwick's data analytics capability and deep bench of subject matter experts.

She then described the two phases of the claims review services provider's scope of work for the Council and noted that during the first year of their contract, Sedgwick will focus on building out the infrastructure and completing necessary preparations for the successful and timely execution of the Administrator's claims review process. She explained that the second phase of Sedgwick's work will be to provide delivery-on-demand of claims review services for a period of up to 3 years, and that the Administrator has the option to extend their contract up to 5 years from the date of execution.

Dr. Johnson also reported that there have been no formal notifications of any claims filed against the Wildfire Fund; and that there have been no new wildfire incident notifications since the last meeting of the Council in October 2021.

9. ERM Framework: CEA Chief Risk & Actuarial Officer Shawna Ackerman will provide an update on the development of the Enterprise Risk Management program for the California Wildfire Fund.

Ms. Ackerman reported to the Council on her team's ongoing work to integrate the 12 identified priority risks associated with the administration of the Wildfire Fund into CEA's existing Enterprise Risk Management (ERM) program. She added that she expects to present to the Council at its next meeting a new dashboard as part of her update.

Council member Gordon stated that he looks forward to seeing the new dashboard.

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, Vice-Chair Gordon adjourned the meeting at 3:03 p.m.



California Catastrophe Response Council Memorandum

April 28, 2022

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

April 28, 2022

Agenda Item 4: Administrator Evaluation

Recommended Action: No action required – information only

Council Members Rich Gordon and Paul Rosenstiel will present the results of the Council's evaluation for 2021 of the CEA's performance as Administrator of the Wildfire Fund.



California Catastrophe Response Council Memorandum

April 28, 2022

Agenda Item 5: Informational Presentation

Recommended Action: No action required – information only

Dr. Laurie Johnson, CEA Chief Catastrophe Response & Resiliency Officer, will present to the Council a proposed schedule for discussion of utility wildfire mitigation and safety programs.

The first in this series of presentations will be from Caroline Thomas Jacobs, the Director of the Office of Energy Infrastructure Safety (OEIS). Ms. Thomas Jacobs will describe the scope of OEIS's review of IOU Wildfire Mitigation Plans and issuance of Safety Certifications.



California Catastrophe Response Council Memorandum

April 28, 2022

Agenda Item 6: 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 March 31, 2022 and 2021.



FINANCIAL REPORT

March 31, 2022

Financial Report Table of Contents

| | Page |
|---|-------|
| Financial Statements | |
| Balance Sheets as of March 31, 2022 and 2021 | 1 |
| Statements of Revenues, Expenses and Changes in Net Position for the Three Months Ended March 31, 2022 and 2021 | 2 |
| CWF Budgeted and Actual Expenditures for 2022 Budget Year as of March 31, 2022 | 3 |
| Contributions Received | |
| Schedule of Contributions and NBC's received by the Fund from inception through April 7, 2022 | 4 |
| Investment Analysis | |
| Investment Analysis as of March 31, 2022 and 2021 | 5 - 7 |
| Cost Allocation | |
| Current cost allocation methodology and calculation for the Three Months Ended March 31, 2022 and 2021 | 8 |

Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

| | March 31, 2022 | March 31, 2021 |
|---------------------------------------|---------------------------|---------------------------|
| Assets | | |
| Cash and investments: | | |
| Cash and cash equivalents | \$ 393,872,865 | \$ 336,297,886 |
| Investments | 9,435,234,436 | 9,518,073,884 |
| Total cash and investments | 9,829,107,301 | 9,854,371,770 |
| Interest receivable | 39,379,440 | 39,601,288 |
| Securities receivable | - | 28,935,787 |
| Prepaid expenses | 104,167 | 104,167 |
| Total assets | \$ 9,868,590,908 | \$ 9,923,013,012 |
| Liabilities and Net Position | | |
| Securities payable | \$ 9,011,705 | \$ 43,534,980 |
| SMIF loan interest payable | 5,847,315 | 10,728,233 |
| Accounts payable and accrued expenses | 1,496,124 | 1,463,819 |
| Related party payable - CEA | 240,335 | 353,749 |
| Total liabilities | 16,595,479 | 56,080,781 |
| Net position: | | |
| Restricted for CWF | 9,851,995,429 | 9,866,932,231 |
| Total net position | 9,851,995,429 | 9,866,932,231 |
| Total liabilities and net position | \$ 9,868,590,908 | \$ 9,923,013,012 |

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

UNAUDITED

| | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|-------------------------------------|--|--|
| Additions to fund assets: | | |
| Rate payer monthly NBCs | \$ 213,660,833 | \$ 183,077,165 |
| Total contributions | 213,660,833 | 183,077,165 |
| Investment income & expenses | 26,047,667 | 23,199,488 |
| Change in unrealized gain/(loss) | <u>(429,514,306)</u> | <u>(241,388,026)</u> |
| Net investment income | (403,466,639) | (218,188,538) |
| Total additions to fund assets | <u>(189,805,806)</u> | <u>(35,111,373)</u> |
| Deductions to fund assets: | | |
| SMIF loan principal payments | 210,000,000 | 210,000,000 |
| SMIF loan interest expense | 5,847,314 | 10,728,233 |
| General and administrative expenses | 650,832 | 600,281 |
| Personnel expenses | <u>125,155</u> | <u>212,837</u> |
| Total deductions to fund assets | <u>216,623,301</u> | <u>221,541,351</u> |
| Increase/(decrease) in net position | (406,429,107) | (256,652,724) |
| Net position, beginning of year | <u>10,258,424,536</u> | <u>10,123,584,955</u> |
| Net position, end of period | <u><u>\$ 9,851,995,429</u></u> | <u><u>\$ 9,866,932,231</u></u> |

California Wildfire Fund
2022 Approved Budget vs 2022 Actual Activity
as of March 31, 2022

| | Actual Activity for Three Months Ended March 31, 2022 | Approved Budget for Three Months Ended March 31, 2022 | Actual Activity for Three Months Ended March 31, 2021 | Approved Budget for FYE 2022 |
|---|--|--|--|---|
| Additions to fund assets: | | | | |
| Rate payer monthly NBCs, net | \$ 213,660,833 * | \$ 223,132,474 | \$ 183,077,165 | \$ 984,738,067 ** |
| Utility annual contributions | - | - | - | 300,000,000 |
| Investment income (net of expenses) | 26,047,667 | 25,873,299 | 23,199,488 | 104,053,321 |
| | \$ 239,708,500 | \$ 249,005,773 | \$ 206,276,653 | \$ 1,388,791,388 |
| Total additions to fund assets | | | | |
| Deductions to fund assets: | | | | |
| SMIF - principal payment | \$ 210,000,000 | \$ 210,000,000 | \$ 210,000,000 | \$ 840,000,000 |
| SMIF - loan interest | 5,847,314 | 5,847,314 | 10,728,233 | 16,344,411 |
| <i>Personnel expenses:</i> | | | | |
| Personnel expenses - allocated from CEA | 125,155 | 233,975 | 212,837 | 935,900 |
| <i>Total personnel expenses</i> | 125,155 | 233,975 | 212,837 | 935,900 |
| <i>General and administrative expenses:</i> | | | | |
| Other contracted and consulting services | 406,407 | 375,051 | 113,432 | 1,500,200 |
| Direct legal services-general | - | 63,750 | 325,299 | 255,000 |
| Financial services consulting | 68,750 | 68,750 | 67,500 | 278,442 |
| Bank fees | 59,400 | 59,849 | 58,336 | 240,583 |
| G&A expenses - allocated from CEA | 115,904 | 99,063 | 31,122 | 555,333 |
| Travel | - | - | - | 5,000 |
| Software and licenses | - | 1,500 | - | 6,000 |
| Direct IT services | - | 3,000 | 2,772 | 12,000 |
| Advertising administration - RFQ | - | - | - | - |
| Audit fees | - | 2,000 | 1,327 | 4,000 |
| Printing & stationary | 36 | 150 | 23 | 600 |
| Governing board meeting expenses | 335 | 300 | 470 | 1,200 |
| <i>Total general and administrative expenses:</i> | 650,832 | 673,413 | 600,281 | 2,858,358 |
| | \$ 216,623,301 | \$ 216,754,702 | \$ 221,541,351 | \$ 860,138,669 |
| Total deductions to fund assets | | | | |
| Change in unrealized gain/(loss) | (429,514,306) | - *** | (241,388,026) | - |
| Increase/(decrease) in net position | \$ (406,429,107) | \$ 32,251,071 | \$ (256,652,724) | \$ 528,652,719 |

* - NBC funds received by CWF in 2022 are net of DWR administrative and operating expenses of \$3.5mm.
The \$3.5mm is made up of \$1.0mm of DWR A&O expenses paid from Nov'21 through Jan'22 and \$2.5mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

** - Budgeted NBC funds to be received by CWF in 2022 are net of \$5.1mm for DWR administrative and operating expenses.

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

Contributions & NBCs Received

**California Wildfire Fund
Contributions & NBCs Received
As of April 7, 2022**

| Description | Date Received | Amount |
|--|-----------------------------|--------------------------|
| 1. SMIF Loan Proceeds | 8/15/2019 | \$ 2,000,000,000 |
| 2. SDG&E initial capital contribution | 9/9/2019 | 322,500,000 |
| 3. SoCal Edison initial capital contribution | 9/9/2019 | 2,362,500,000 |
| 4. SDG&E 2019 annual contribution | 12/19/2019 | 12,900,000 |
| 5. SoCal Edison 2019 annual contribution | 12/27/2019 | 94,500,000 |
| 6. PG&E initial capital contribution | 7/1/2020 | 4,815,000,000 |
| 7. PG&E 2019 annual contribution | 7/1/2020 | 192,600,000 |
| 8. IOUs 2020 annual contributions | December-20 | 300,000,000 |
| 9. IOUs 2021 annual contributions | December-21 | 300,000,000 |
| | Total Contributions | 10,400,000,000 |
| 1. 2021 NBC funds received | 12-months of 2021 | 875,076,565 |
| 2. November 2021 NBC funds | 1/10/2022 | 76,880,056 |
| 3. December 2021 NBC funds | 2/10/2022 | 72,253,134 |
| 4. January 2022 NBC Funds | 3/7/2022 | 64,527,643 |
| 5. February 2022 NBC Funds | 4/7/2022 | 78,912,451 |
| | Total NBCs | 1,167,649,849 |
| | Total Funds Received | \$ 11,567,649,849 |

Note 1:

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

Note 2:

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

Investment Analysis

Economic and Financial Markets Update

On March 16, 2022, the U.S. Federal Reserve increased the Fed Funds target by 0.25% for the first time since December 2018 with the consensus of increasing rates six more times to the near pre-COVID levels by the end of 2022. High inflation has been impacted by 2020 and 2021 fiscal stimuli of approximately 25% of 2021 GDP and the use of these stimulus monies for goods and services due to COVID closures, supply chain issues from the increased demand, continuation of lockdown in China, and energy prices spiking due to the war in the Ukraine. The 2021 GDP growth rate was 5.7% but the Federal Reserve decreased its projection for 2022 growth to 2.8% from the prior forecast of 4.0% to reflect the current volatility and the slowdown impact from projected interest rate increases.

Interest rates have increased dramatically in 2022 and are already above pre-COVID levels. The 2-year Treasury rate has reached levels not seen since early 2019 and briefly was above the 10-year Treasury rate. The yield curve is very flat to slightly inverted reflecting the expectation of continued Federal Reserve rate increases as seen in the spread between the 2-year and 10-year Treasury rate, which is currently 0.11% - this spread was 1.52% one year ago and the average over 5-years is 0.60%. We believe rates have moved up too quickly and expect the 10-year Treasury to come back down to 2.00%-2.25% by mid-2023.

| Treasury Rates | | | | | |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Date | 1-Year | 2-Year | 3-Year | 5-Year | 10-Year |
| Current (4/6) | 1.79 | 2.50 | 2.67 | 2.70 | 2.61 |
| 1-Month Ago | 1.07 | 1.55 | 1.68 | 1.71 | 1.78 |
| 3-Months Ago | 0.41 | 0.83 | 1.10 | 1.43 | 1.71 |
| 6-Months Ago | 0.09 | 0.32 | 0.59 | 1.05 | 1.61 |
| 1-Year Ago | 0.06 | 0.16 | 0.34 | 0.87 | 1.68 |
| 3-Years Ago | 2.41 | 2.31 | 2.27 | 2.28 | 2.48 |
| 5-Years Ago | 1.04 | 1.24 | 1.44 | 1.81 | 2.28 |
| 10-Years Ago | 0.18 | 0.27 | 0.40 | 0.86 | 2.00 |
| 1-Year Average | 0.35 | 0.63 | 0.85 | 1.19 | 1.61 |
| 3-Year Average | 0.70 | 0.78 | 0.87 | 1.06 | 1.43 |
| 5-Year Average | 1.22 | 1.32 | 1.41 | 1.59 | 1.92 |
| 10-Year Average | 0.77 | 0.94 | 1.12 | 1.47 | 2.04 |

Corporate investment grade spreads have widened from 100 to 120 basis points to price for uncertainties and projected slow economic growth.

The investment team of the CEA scheduled two calls with our pool of twenty investment managers (CEA and CWF, combined) and asked that each investment manager attend one of the calls during the week of April 4, 2022. The investment team communicated with the investment managers our desire to have all future maturities, approximately \$1.7 billion maturing in the next 12 months, be reinvested in short-term investments. The CEA's buy/hold approach remains intact. With the inversion of the yield curve, we are requesting that managers invest any new cashflows and/or maturities in the short-term to take advantage of the higher rates, 1 to 3 years. Currently, there is not any value in reinvesting at the longer end of the permissible maturity limit. Reinvesting at the 2-year to 3-year duration can potentially generate incremental income based on the projection of short-term interest rates increasing by approximately 2.0% by the end of 2023. Our verbal directive stated that we would like each of the investment managers to invest at the point in the short-term they feel would yield the optimal return for our portfolio. We also stated that if they feel there is relative value in any available floating-rate notes to please take advantage of purchasing those notes with any upcoming maturities. The directive will be in place until they hear differently from the team at the CEA.

**California Wildfire Fund
 CWF Portfolio Overview
 3/31/2022**

March 31, 2022

The CWF's total portfolio market value for March 2022 was \$9.83 billion with an average duration of 3.67 years and average credit ratings of "AA+".

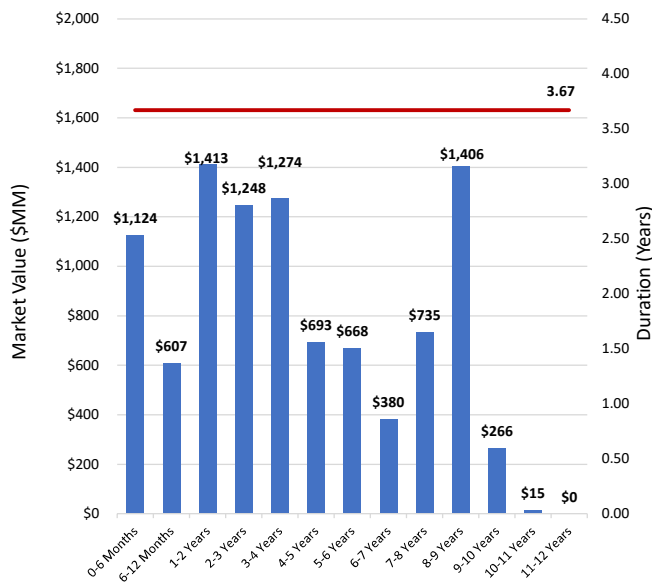
| CWF Investment Portfolio as of March 31, 2022 | | | | |
|--|---------------------|-----------------------|--------------------------|-----------------------|
| Sector | Value (\$MM) | % of Portfolio | Avg Credit Rating | Duration (Yrs) |
| U.S. Treasury | \$5,452 | 55.5% | AAA | 2.65 |
| U.S. Agency & Supranational | \$873 | 8.9% | AAA | 4.05 |
| Corporates | \$3,449 | 35.1% | A+ | 5.31 |
| U.S. TSY MMF | \$55 | 0.6% | AAA | 0.20 |
| Total | \$9,829 | 100.0% | AA+ | 3.67 |

March 31, 2021

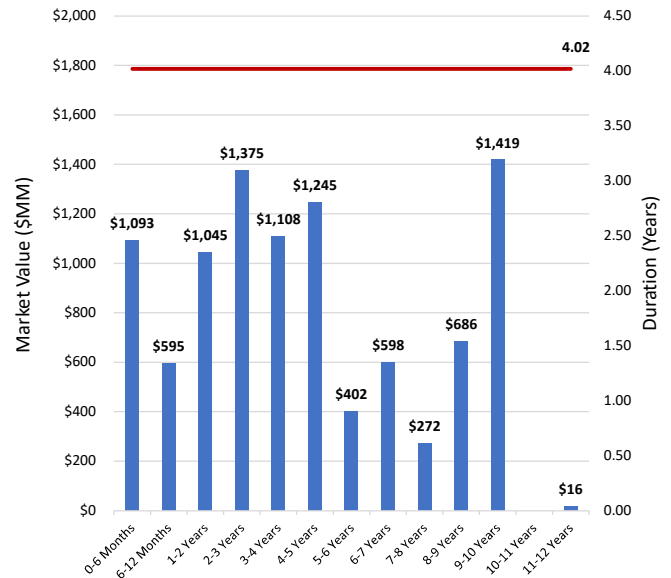
The CWF's total portfolio market value for March 2021 was \$9.85 billion with an average duration of 4.02 years and average credit ratings of "AA+".

| CWF Investment Portfolio as of March 31, 2021 | | | | |
|--|---------------------|-----------------------|--------------------------|-----------------------|
| Sector | Value (\$MM) | % of Portfolio | Avg Credit Rating | Duration (Yrs) |
| U.S. Treasury | \$5,752 | 58.4% | AAA | 2.70 |
| U.S. Agency & Supranational | \$1,081 | 11.0% | AAA | 4.93 |
| Corporates | \$3,016 | 30.6% | A+ | 6.26 |
| U.S. TSY MMF | \$5 | 0.1% | AAA | 0.11 |
| Total | \$9,854 | 100.0% | AA+ | 4.02 |

Maturity Distribution: March 31, 2022



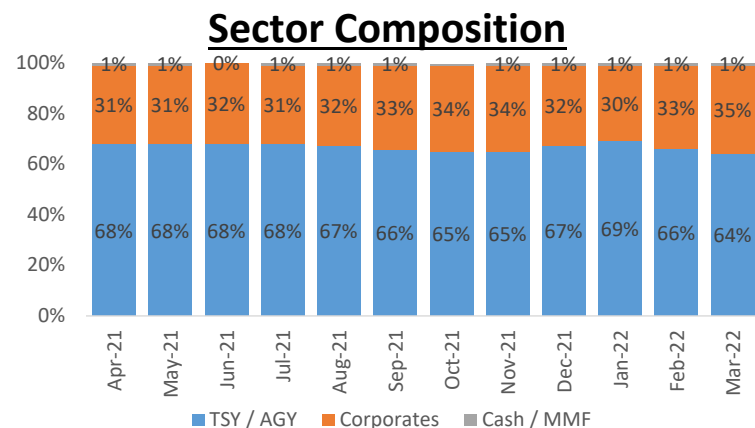
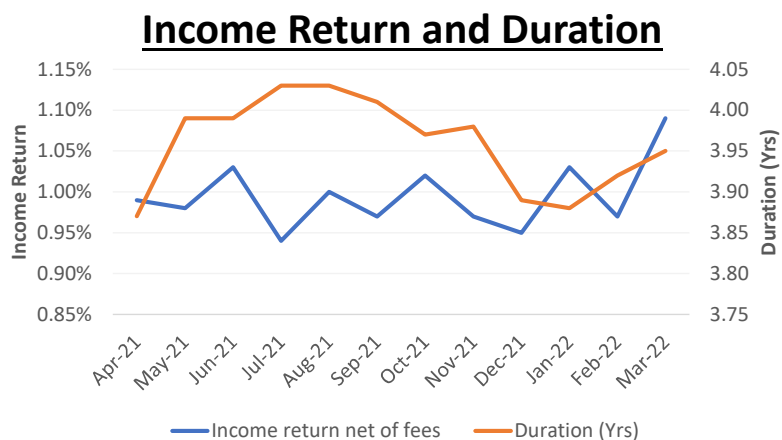
Maturity Distribution: March 31, 2021



**California Wildfire Fund
CWF Portfolio 12-Month History
3/31/2022**

| CWF Investment Portfolio Overview | | | | | | | | | | | | |
|---|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|
| | Apr-21 | May-21 | Jun-21 | Jul-21 | Aug-21 | Sep-21 | Oct-21 | Nov-21 | Dec-21 | Jan-22 | Feb-22 | Mar-22 |
| Total Portfolio | | | | | | | | | | | | |
| Market Value - Cash & Investments (\$MM) | \$9,883 | \$9,980 | \$9,958 | \$9,967 | \$9,979 | \$9,940 | \$9,883 | \$9,968 | \$10,320 | \$10,126 | \$10,099 | \$9,829 |
| Investment income (\$MM) * | 8.51 | 8.43 | 8.92 | 8.18 | 8.63 | 8.38 | 8.73 | 8.34 | 8.35 | 9.14 | 8.49 | 9.36 |
| Change in unrealized gain/(loss) (\$MM) | 40.03 | 27.58 | 16.64 | 61.26 | (25.93) | (63.24) | (51.46) | (2.06) | (19.54) | (146.77) | (70.39) | (212.35) |
| Investment management fees and bank fees (\$MM) | 0.35 | 0.33 | 0.33 | 0.33 | 0.33 | 0.33 | 0.33 | 0.33 | 0.33 | 0.34 | 0.34 | 0.33 |
| fees as a % of average AUM | 0.0036% | 0.0033% | 0.0033% | 0.0033% | 0.0033% | 0.0033% | 0.0034% | 0.0033% | 0.0033% | 0.0033% | 0.0033% | 0.0033% |
| Income return gross of fees | 1.03% | 1.02% | 1.07% | 0.98% | 1.04% | 1.01% | 1.06% | 1.01% | 0.99% | 1.07% | 1.01% | 1.13% |
| Income return net of fees | 0.99% | 0.98% | 1.03% | 0.94% | 1.00% | 0.97% | 1.02% | 0.97% | 0.95% | 1.03% | 0.97% | 1.09% |
| Yield to Maturity | 0.90% | 0.82% | 0.81% | 0.81% | 0.75% | 0.88% | 1.03% | 1.05% | 1.11% | 1.49% | 1.69% | 2.24% |
| Duration (Yrs) | 4.03 | 4.01 | 3.97 | 3.98 | 3.89 | 3.88 | 3.92 | 3.95 | 3.85 | 3.86 | 3.79 | 3.67 |
| Portfolio Composition (%) | | | | | | | | | | | | |
| TSY / AGY | 68% | 68% | 68% | 68% | 67% | 66% | 65% | 65% | 67% | 69% | 66% | 64% |
| Corporates | 31% | 31% | 32% | 31% | 32% | 33% | 34% | 34% | 32% | 30% | 33% | 35% |
| Cash / MMF | 1% | 1% | 0% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |

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



Cost Allocation

California Wildfire Fund
 Cost Allocation Methodology and Calculation for the Three Months Ended March 31, 2022 and 2021
 3/31/2022

Note 1: Cost Allocation Approach

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

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

The general approach of the CEA in allocating costs to the CWF is as follows:

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

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

Note 2: Direct and Indirect Costs

Starting in July 2019, the CEA, acting as the interim administrator of the CWF, started tracking employees who were working directly on the CWF. These hours were tracked in a time tracking software that is on CEA's SharePoint intranet site.

The following hours were captured and the CEA applied each employees hourly rate + the predetermined burden rate to come up with the direct labor charge for the CWF for the Three Months Ended March'22 and March'21.

| Department | 3 months ended March'22 | | 3 months ended March'21 | | CWF Salary & Benefit costs = | March'22 | March'21 |
|---------------------------------|-------------------------|---------------------|-------------------------|---------------------|------------------------------|-------------|-----------|
| | Hours | Salaries & Benefits | Hours | Salaries & Benefits | | A | B |
| 1. Comms | 77.5 | 7,420 | 69.5 | 6,340 | | 118,600 | 206,082 |
| 2. Exec | 71.5 | 17,217 | 125.0 | 30,340 | | 6,302,346 | 6,365,937 |
| 3. Finance | 502.3 | 44,455 | 737.3 | 68,103 | | 6,420,946 | 6,572,019 |
| 4. IT | 15.5 | 1,007 | 37.0 | 2,982 | Allocation % = | 1.85% = A/C | 3.14% |
| 5. Internal Ops | 4.0 | 710 | 12.5 | 1,920 | | | |
| 6. Insurance Ops | 105.9 | 20,025 | 141.5 | 27,417 | | | |
| 7. Legal | 271.4 | 27,766 | 474.7 | 68,980 | | | |
| Total Direct Hours/Costs | 1,048.1 | 118,600 | 1,597.5 | 206,082 | | | |

All other indirect costs were allocated to the CWF based on the 1.85% 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 | 5,792 | 10,862 |
| Rent-Office Equip/Furniture | 86450-16 | 282 | 776 |
| Building Maintenance and Repairs | 86475-16 | 121 | 143 |
| Furniture/Equipment <\$5000 | 86500-16 | - | - |
| EDP Hardware <5000 | 86505-16 | 618 | 614 |
| EDP Software <5000 | 86506-16 | 16,092 | 13,528 |
| Office Supplies | 86510-16 | 16 | 46 |
| Postage | 86530-16 | 19 | 28 |
| HR and IT staff allocation | 85101-16 | 6,555 | 6,755 |
| Telecommunications | 86550-16 | 1,062 | - |
| Insurance Expense | 86600-16 | 3,252 | 2,987 |
| Other Administration Services | 88175-16 | 15 | 274 |
| Direct Investment Technology Support | 89805-16 | 88,635 | 1,864 |
| Total Indirect Costs | | 122,459 | 37,877 |
| Total Costs | | 241,059 | 243,959 |



California Catastrophe Response Council Memorandum

April 28, 2022

Agenda Item 7: Claims Administration Update

Recommended Action: No action required - Information only.

Background

At its July 22, 2021 meeting, the California Catastrophe Response Council (Council) adopted the final draft *Wildfire Fund Claims Administration Procedures* (Procedures) and authorized the Administrator to make periodic non-discretionary, conforming changes to the Procedures as necessary to ensure that the Procedures conform to any statutory amendments that may be enacted in the future.

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

Implementation of the Claims Administration Procedures

The Administrator entered into contract with Sedgwick on January 27, 2022 to serve as the claims review services provider for the Wildfire Fund. The claims review services provider's scope of work is divided into two phases:

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



out, then tested before finalization. Work during this phase will take a maximum of one year; however, the iterative approach will give the Administrator the necessary flexibility to undertake the review of any claims that might be submitted during 2022.

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

In this first quarter of Phase 1 work, the claims review services provider has been focused on drafting the outline for the Operations Manual, developing the proposed structure for managing data during Threshold Claims and Eligible Claims review processes, and reviewing the proposed structure with the Participating Utilities. The Administrator is also preparing to conduct its first round of annual update meetings with each Participating Utility to secure the latest information on the claims handling organization, its function and reporting capabilities, as specified in the Claims Administration Procedures.

Wildfire Monitoring and Notification

The Administrator continues to build out its process for monitoring and reporting on active wildfires during the 2022 season as well as the status of potentially Covered Wildfires in the 2019, 2020 and 2021 coverage years. The Administrator is particularly focused on enhancing the Council's timely access to current, substantive and detailed wildfire and claims information.

At this point, reported losses, in aggregate, for the 2019 and 2020 coverage years for each of the three Participating Utilities have not yet exceeded the current \$1 billion threshold necessary for an IOU to make a claim on the Fund. The Administrator continues to monitor



the reported losses for two major fires—the October 2019 Kincade Fire and the September 2020 Zogg Fire.

For the 2021 coverage year, the Administrator is monitoring the reported losses for the July 2021 Dixie Fire, in particular. PG&E's 10-K annual report to the Securities and Exchange Commission (SEC) for the fiscal year ending December 31, 2021 estimates potential aggregate liability for the 2021 Dixie Fire of \$1.15 billion with a potential recovery of \$150 million from the Fund. The Administrator will continue to closely monitor PG&E's 2021 losses and plan for the potential submission of claims.

Next Steps

CEA staff will introduce Sedgwick and report on the status of work by the claims review services provider during this Council meeting.



California Catastrophe Response Council Memorandum

April 28, 2022

Agenda Item 8: Public Utilities Code Section 3293 Insurance Framework

Recommended Action: No action required – Information only

Background

Public Utilities Code section 3293 requires that each of the Investor-owned Utilities (IOUs) “maintain reasonable insurance coverage.”

Section 3293 also requires the Administrator to periodically review the IOUs’ insurance programs and make recommendations to each IOU “as to the appropriate amount of insurance coverage required,” taking into account a list of enumerated risk factors and any other factors deemed appropriate by the Administrator.

Section 3280(f) establishes that each participating IOU must initially retain a minimum \$1 billion in annual wildfire claims before claims in excess of that amount may be submitted to the Wildfire Fund for reimbursement. Section 3293 has the potential to impact that retention amount in the future.

Section 3293 states:

“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.”



Section 3280(f) states:

“‘Eligible claims’ means claims for third-party damages against an electrical corporation resulting from covered wildfires exceeding the greater of 1) one billion dollars (\$1,000,000) in the aggregate in any year, or 2) the amount of insurance coverage required to be in place for the electrical corporation pursuant to Section 3293, measured by the amount of that excess.”

As previously reported, CEA engaged Scidan Consulting, an energy sector consulting firm, to assist in the development of a framework to aid the Administrator in conducting the periodic reviews of the IOUs’ underlying wildfire insurance programs. Nathan Pollack, a principal of Scidan Consulting, will attend this meeting to provide a brief presentation on the Section 3293 Framework and to answer any questions from the Council.

Overview of PUC § 3293 Framework

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

The framework is designed to indicate whether an upward adjustment in retention may be needed to achieve the Fund durability goals. If an upward adjustment is indicated, then the factors enumerated in Section 3293 will enter the analysis.

The framework relies on modeled wildfire losses and utilizes a range of potential losses that are consistent with those used for the annual durability assessment reported in the *Annual Report to the Catastrophe Council and the Legislature on Wildfire Fund Operations*. Another key input to the framework is a long-term targeted durability. The framework uses durability targets of 75% and 65% for 10 and 15 years (2030 and 2035), respectively - consistent with the expectations and intentions of the Legislature when creating the Fund in July 2019. The output of the modeling framework is the IOU retention amount needed to meet the long-term targeted durability.

While there is significant uncertainty around the total amount of eligible claims – for example, uncertainty associated with climate change, mitigation effectiveness, settlement rates, and IOU prudence – the uniform \$1 billion retention is expected to result in long-term durability measures that exceed the 10 to 15 year target. Consequently, based on



the results of the assessment coupled with the facts that there have not yet been claims on the Wildfire Fund and no material changes have emerged since July 2019, the Administrator has informed the IOUs that there will be no changes to the IOUs' \$1 billion loss retention for the upcoming 2022 – 2023 wildfire season. As part of the assessment that led to this conclusion, Scidan ran "what-if" analyses assuming specific loss levels in the earlier years of the Fund. Based on these analyses, the current annual retention threshold of \$1 billion is expected to be sufficient to maintain long-term durability consistent with the Legislature's intent, unless the average annual eligible claim level exceeds \$1.5 billion.

While developing the framework, Scidan and the Administrator reached out to the IOUs and to other key stakeholders and agencies to ensure we had a complete understanding of the costs and regulatory treatment of the underlying insurance programs maintained by the IOUs.

Conclusion

The testing framework will be updated periodically to reflect the total amount of eligible claims paid (or payable) by the Fund as well as changes in the view of wildfire risk. The Administrator will report updated assessments to the Council and communicate the recommended loss retention to the IOU's so that the information is available for planning their annual insurance programs.



California Catastrophe Response Council Memorandum

April 28, 2022

Agenda Item 9: Enterprise Risk Management Program Framework - Update

Recommended Action: No action required – information only

Background

The Enterprise Risk Management (ERM) Committee is continuing its work in integrating risks associated with the administration of the California Wildfire Fund (CWF) into the CEA’s existing ERM program. The timeline below outlines the evolution and development of the program.

Wildfire Fund ERM Program Timeline

| 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 |
|---|---|--|---|------------------------------------|
| Risk Governance and Culture | Risk Identification and Prioritization | Risk Management and Controls | Risk Reporting and Communication | Risk Appetite and Tolerance |
| Incorporated CWF into CEA’s Mission Essential Functions, Business Continuity and ERM Programs | Continue to build out Wildfire Fund ERM by identifying key risk drivers | Detail current controls and assess effectiveness | Develop Dashboard and Heatmap | Present Draft Statements |
| Complete | Complete | Complete | Complete | Complete |



Risk Appetite and Tolerance Statements

In this quarter's report we will summarize the progress made in developing the risk appetite and tolerance statements for the priority risks. A risk appetite statement expresses the nature and extent of management's willingness to take risk in order to meet strategic objectives. Risk tolerance expresses the boundaries of acceptance, i.e., how much variation from plan is acceptable.

As previously noted, many of the risks associated with the administration of the Wildfire Fund are the same or analogous to those that the CEA has been managing for years. Consequently, the proposed risk appetite and tolerance statements for the Wildfire Fund's priority risks follow the definitions established for CEA's ERM program and are as follows:

Risk appetite can be qualified by one of the three following categories:

- Averse - Close to zero appetite for a risk event
- Cautious - Accept uncertainty when it can be carefully measured and monitored
- Flexible - Open to reasonable risk taking

Risk tolerance can be qualified by one of the three following categories:

- Unwilling - Will select the lowest risk option always
- Limited - Will accept favorable risk-reward scenario
- Fully Willing – Will choose option with the highest benefit and accept possibility of failure

By definition, the Wildfire Fund has significant inherent risk. It was established as a risk-taking mechanism. The risk appetite and tolerance statements are intended to address how the Administrator will manage the additional risks associated with the administration of the Fund. The proposed risk appetite and tolerance statements for each of the priority risks are as follows:

1. Business Continuity

Risk Appetite: Cautious – The Administrator ensures that critical business systems and processes operate as needed.

Risk Tolerance: Limited



2. Claim Handling

Risk Appetite: Cautious – The Administrator adheres to all regulatory requirements and timelines such that eligible claims are paid consistently and accurately.

Risk Tolerance: Unwilling

3. Financial Reporting

Risk Appetite: Averse – The Administrator ensures financial reporting is timely and accurate.

Risk Tolerance: Unwilling

4. Information Security

Risk Appetite: Cautious – The Administrator mitigates loss due to unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information and/or accessibility of IT systems.

Risk Tolerance: Limited

5. Investments

Risk Appetite: Cautious – The Administrator actively manages Fund investments in accordance with regulatory requirements and established guidelines.

Risk Tolerance: Limited

6. Legal – Compliance and Litigation

Risk Appetite: Cautious – The Administrator endeavors to avoid legal disputes, regulatory enforcement actions and compliance lapses through mitigation efforts, including vigorous policies, procedures, and compliance measures; the Administrator is committed to prompt resolution and remediation should such matters arise.

Risk Tolerance: Limited



7. Legislative

Risk Appetite: Cautious – The Administrator actively monitors and may respond to legislative changes that could impact the Wildfire Fund.

Risk Tolerance: Limited

Comment: The Administrator has, to date, taken a passive approach to legislative initiatives, responding to proposed changes but not initiating any changes. As noted previously, we welcome any guidance the Council wishes to provide regarding whether the Wildfire Fund Administrator, on behalf of the Council, should initiate legislative or regulatory solutions and will adjust this risk appetite / tolerance accordingly.

8. Wildfire Modeling

Risk Appetite: Cautious – The Administrator relies on relevant experts and established, current wildfire loss models to assess the potential losses to the Fund, recognizing that wildfire loss models are evolving, and climate impacts are uncertain.

Risk Tolerance: Limited

9. Reputation

Risk Appetite: Cautious – The Administrator monitors media outlets for reports that might impact the reputation of the Fund and will correct material misstatements or inaccurate characterizations of the Fund. It also responds promptly to media inquiries.

Risk Tolerance: Limited

10. Risk Transfer

Risk Appetite: Cautious – Risk transfer, if purchased to enhance the durability of the Fund, will come from mature and secure markets to mitigate credit risk.

Risk Tolerance: Limited



11. Wildfire Mitigation Activities

Risk Appetite: Cautious – The Administrator will monitor mitigation activities and promote mitigation where appropriate, recognizing it has no authority to mandate mitigation activities.

Risk Tolerance: Limited

Comment: The Administrator will continue to look for opportunities to inform the Council of mitigation activities by the State and the Investor-Owned Utilities and intends to have mitigation presentations from each of the IOUs at future Council meetings.

12. Workforce

Risk Appetite: Cautious – The Administrator takes measures to ensure that it has the proper and adequate staffing for performing day-to-day operations. Outside expertise is engaged as needed.

Risk Tolerance: Limited

Risk Reporting

The 1st quarter 2022 scorecard is presented below and provides the status of each priority risk. The column named Residual Risk Score indicates the current risk status after mitigation efforts until the CCRC next meets.

| Risk Name | Risk Owner | Inherent Risk Score | Control Effectiveness | Residual Risk Score |
|---|-----------------|---------------------|-----------------------|---------------------|
| Distorted or incorrect of Wildfire Fund durability due to invalid, inaccurate or outdated methods or assumptions in external or internal wildfire models. | Shawna Ackerman | ● High | ● Strong | ● Medium |
| Adverse impacts to the administration of the Wildfire Fund that occur due to a workforce issue or constraint at CEA | Jim Lombard | ● Medium | ● Strong | ● Low |
| Durability of the Wildfire Fund is dependent on successful mitigation activities which are outside the direct control of CEA as the Wildfire Fund | Shawna Ackerman | ● Medium | ● Medium | ● Medium |

| Risk Name | Risk Owner | Inherent Risk Score | Control Effectiveness | Residual Risk Score |
|---|-------------------|----------------------------|------------------------------|----------------------------|
| Administrator but that must be monitored | | | | |
| Reasonable priced risk transfer products for wildfire cover are not available when needed | Tracy Palombo | ● Medium | ● Strong | ● Low |
| Public's loss of confidence in CEA as Administrator of the Wildfire Fund or loss of confidence in the ability of the Wildfire Fund to meet its objectives. | Sarah Sol | ● Medium | ● Strong | ● Low |
| Legislative, regulatory or political actions that materially change the Wildfire Fund Administrator and/or Council's ability to fulfill its current obligations or mission. | Susie Hernandez | ● Medium | ● Strong | ● Low |
| Harm to the Wildfire Fund resulting from (a) disputes with third parties, (b) regulatory/legislative enforcement actions, and/or (c) compliance lapses. | Suman Tatapudy | ● Medium | ● Strong | ● Low |
| Losses to the Wildfire Fund due to failure to adhere to established investment guidelines and/or performance objectives not achieved. | Ben Kirwan | ● Medium | ● Strong | ● Low |
| Losses due to unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information and/or accessibility of IT systems. | Kimberly Owen | ● Medium | ● Strong | ● Low |
| Inaccurate financial accounting or reporting or inadequate controls that result in a material error in published financial statements. | Ben Kirwan | ● Medium | ● Strong | ● Low |



| Risk Name | Risk Owner | Inherent Risk Score | Control Effectiveness | Residual Risk Score |
|--|------------------|---------------------|-----------------------|---------------------|
| Issues, conflicts or delays arising from or associated with IOU claims management. | Laurie Johnson | ● High | ● Medium | ● Medium |
| Delayed continuity of the California Wildfire Fund essential business functions. | Stephanie Hanser | ● Medium | ● Medium | ● Medium |

Additional Comments on Priority Risks

COVID-19 Response and Impact on Business Operations (Business Continuity and Workforce)

We continue to actively monitor our risks with the COVID-19 top of mind. Throughout the pandemic, CEA has been able to operate successfully with no adverse impact on business operations. Most staff continue to work remotely. For staff and visitors that do enter the office we are documenting proof of vaccination. The impacts of COVID-19 are constantly changing. We continue to monitor and follow local and state guidance.

Emerging Risks

PG&E Victims Trust: As previously reported there have been some efforts to seek access to the CWF to cover shortfalls in the PG&E Victims Trust, which was created under the PG&E bankruptcy plan of reorganization to compensate claimants from the pre-CWF wildfires in 2017 and 2018. By statute, the CWF assets may only be used to pay “eligible claims” from post-July 12, 2019 wildfires triggered by IOUs. Expansion of the CWF’s exposure would require legislation. There is no pending legislature that could expand the CWF’s current exposures, but CEA will continue to monitor these efforts and report to the Council on any developments.

War In Ukraine: CEA is addressing several risks that arise from Russia’s war on Ukraine. First, CEA’s InfoSec team alerted all CEA employees to the potential increased cyberattacks as a result of the war. Additionally, the InfoSec team reviewed all CEA system vendors to determine if any had ties to Russia. The team identified one software vendor as having previously been a Russian-owned company. While currently owned by a Swiss company and operating in the United States, the software has been isolated and



steps are being taken to replace it. Second, the finance team has also confirmed that no CWF assets are invested in Russian-owned companies or issuers, and has taken steps to ensure that investment managers comply with all applicable sanction-based restrictions. Finally, as part of the CEA's procurement procedures, we check the ownership structure for each potential vendor to identify any direct or indirect ties to Russian.

CONCLUSION

CEA has completed the integration of the risks associated with the administration of the Wildfire Fund into the ERM framework. Of course, that does not mean that the process is finished. CEA's ERM framework is designed to be dynamic and agile to ensure that we effectively identify and manage both existing, emerging and entirely new risks as they arise. We will continue to monitor priority risks and report the status at each Council meeting along with any newly identified or emerging risks.