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Date of Notice: October 17, 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.

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

DATE: **October 27, 2022**

TIME: **2:00 p.m.**

TELECONFERENCE ACCESS:

Online Access: **<https://us02web.zoom.us/j/85852351048>**

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

Enter Access Code: **858 5235 1048**

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

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

Please also note that use of the Zoom platform to access the meeting may require the entry of an email address and may be subject to the Terms of Use and Privacy Policy of Zoom, which are outside the control of the Council or CEA. Anyone with concerns about the use of Zoom should use the phone access, and you can download any presentation materials used during the meeting at the website for the California Wildfire Fund www.cawildfirefund.com.

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

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

ACCESSIBILITY FOR DISABLED PERSONS: Persons who, due to a disability, need assistance in order to participate in this meeting should, prior to the meeting, contact CEA's ADA Coordinator either by phone by dialing (916) 661-5400, or by e-mail addressed to EEO@calquake.com and sjohnson@calquake.com. TTY/TDD and Speech to-Speech users may dial 7-1-1 for the California Relay Service to submit comments on an agenda item or to request special accommodations for persons with disabilities. Persons with disabilities may request special accommodations at this or any future Council meeting or may request the accommodation necessary to receive agendas or materials prepared for Council meetings. Please contact Susan Johnson by telephone, toll free, at **(877) 797-4300** or by email at sjohnson@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

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

<https://www.cawildfirefund.com/council>

Prior to the meeting, the written materials that will be provided to members of the Council will also be posted on this website. Finally, on the day of the meeting, a copy of any presentation deck that the Council or the Administrator may use during the meeting will also be posted to this site.

AGENDA

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

Governor	Paul Rosenstiel, Public Member appointed by the Governor
Treasurer	
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
Kathleen Ritzman, Appointee of the Senate Rules Committee	

Establishment of a quorum

2. Minutes: Review and approve the minutes of the July 28, 2022, meeting of the Council.
3. Executive Report: CEA Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.
4. Proposed 2023 Council Meeting Dates: Mr. Pomeroy will seek approval of the proposed 2023 Council meeting dates.
5. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of September 30, 2022.
6. Conflict-of-Interest Code Amendment: CEA General Counsel Tom Welsh will seek approval of amendments to the Council's Conflict-of-Interest Code pursuant to Cal. Gov. Code § 18730.
7. Claims Administration Update: CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson will provide an update on Claims Administration.
8. Enterprise Risk Management: CEA Chief Risk & Actuarial Officer Shawna Ackerman will deliver a quarterly report on the Enterprise Risk Management program for the Wildfire Fund.
9. Public comment: The Council will invite public comment on matters related to the Wildfire Fund that do not appear on this agenda, and to request that matters be placed on a future agenda.
10. 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

October 27, 2022

Agenda Item 02: Meeting Minutes

Recommended Action: Approve Minutes of July 28, 2022 Meeting

Attached is a draft of the minutes of the July 28, 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 July 28, 2022 meeting of the Council.

DRAFT
California Catastrophe Response Council Meeting Minutes

Teleconference Meeting
Thursday, July 28, 2022
2:00 p.m.

Members of Council in Attendance:

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

Members of CEA Staff in Attendance:

Glenn Pomeroy, Chief Executive Officer
Dr. Laurie Johnson, CEA's Chief Catastrophe Response & Resiliency Officer
Suman Tatapudy, Senior Counsel
Ben Kirwan, Controller
Shawna Ackerman, Chief Risk and Actuarial Officer
Joe Zuber, Deputy General Counsel for Risk Transfer
Susan Johnson, Governance Liaison

Speakers:

Sumeet Singh, PG&E
Stephen Cairns, PG&E
Casie Hart, Sedgwick
David Armstrong, Sedgwick
Antonio Figueroa, Sedgwick
Caroline Albertson, Sedgwick

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. and welcomed new Council Member Kathleen Ritzman.

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

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

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

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

CEA Chief Executive Officer Glenn Pomeroy welcomed Council Member Kathleen Ritzman noting that her background and experience will be an asset to the Council.

Mr. Pomeroy then presented his report:

- The Wildfire Fund has recently completed its third year of operation and the fourth wildfire season is now underway.
- No claims have been received to date.
- The claims administration process continues to develop.
- An enterprise risk management system is in place.
- A process has been established for fulfilling reporting responsibilities to the Legislature.
- CEA Legislative staff are also conducting legislative outreach.

He concluded that these actions have resulted in financial stability and given the investor-owned utilities the time and resources to invest in wildfire safety and mitigation, which ultimately benefits their customers.

4. Informational Presentation: PG&E Executive Vice President, Chief Risk Officer and Interim Safety Officer Sumeet Singh, and PG&E Vice President and Chief Audit Officer Stephen Cairns will provide an overview presentation on PG&E's wildfire mitigation activities.

Sumeet Singh, Executive Vice President, Chief Risk Officer, and Interim Safety Officer, PG&E, provided a slide presentation overview of the risk and the layers of protection in the multiprong wildfire mitigation approach undertaken by PG&E. He noted that 2022 is the driest year to date over the last 128 years and that approximately 65 percent of California's High Fire-Threat Districts (HFTDs) are currently in PG&E's service area. He stated that PG&E actions have mitigated approximately 90 percent of wildfire risk.

Mr. Singh said that the company has continued to adapt to California's changing wildfire risk profile through various measures that include:

- Enhanced vegetation management

- System hardening of overhead utility lines
- The installation of underground utility lines
- Use of Public Safety Power Shutoffs (PSPS)

He also explained that there has been a dramatic shift since 2020 in the causes of wildfires. Prior to 2020, most California wildfires were wind driven, whereas currently many wildfires are now fuel-driven as a result of California's terrain and topography. He added that so far in 2022, PG&E has recorded 52 wildfire ignitions, which is a 45 percent reduction compared to 2021. Lastly, he credited the company's enhanced safety and mitigation measures with fewer power outages and fewer customers impacted.

Stephen Cairns, Vice President and Chief Audit Officer, PG&E, continued the slide presentation and discussed the impact of the mitigation approach and how PG&E is thinking about insurance in relation to the Wildfire Fund. He stated PG&E is proposing to transition over time to a customer-funded self-insurance model, which would enable customers to benefit by retaining premiums for future use in those years where no or limited liabilities are incurred.

Discussion

In response to a question from Mr. Rosenstiel, Mr. Singh said, the company's Public Safety Power Shutoff (PSPS) system is the driving force and a main reason why PG&E has improved its ability to mitigate wildfire risk.

Mr. Cairns focused his remarks on how PG&E's \$1 billion insurance investment in the Wildfire Fund's has enabled PG&E to invest in the various mitigation measures outlined by Mr. Singh. Mr. Cairns added that insurance protection provided by the Wildfire Fund has negated the need for PG&E to purchase additional insurance.

In response to a question from Ms. Rossman regarding whether the CCRC has the authority to decide if the investor-owned utilities have sufficient insurance, CEA Senior Counsel Suman Tatapudy explained that the CCRC's statutory role is to periodically review whether the investor-owned utilities have an adequate amount of insurance.

Replying to a question from Ms. Ritzman, Mr. Singh told the Council that PG&E intends to continue to invest in wildfire safety and mitigation measures, including the use of artificial intelligence to determine the correlation between wind speeds and power outages.

There was no public comment.

- 5. Plan of Operations: CEA Senior Counsel Suman Tatapudy will ask the Council to review and consider approval and adoption of the Third Annual Report and, if approved, authorize the Administrator to deliver the Third Annual Report to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy.**

CEA Senior Counsel Suman Tatapudy provided an overview of the requirements in California Public Utilities Code section 3283 for the Council to direct the Administrator to prepare and present for approval a Plan of Operations related to the operations, management and administration of the Wildfire Fund on an annual basis. The Third Annual Report, covering the time period of July 12, 2021 through July 11, 2022 includes the following:

- Wildfire Fund Assets
- Projections for the Durability of the Wildfire Fund
- Success of the Fund
- Whether or not the Wildfire Fund is serving its purpose

The Third Annual Report does not include a plan for winding up the Wildfire Fund because projections do not demonstrate the Fund will be exhausted within the next three years.

Motion: Mr. Rosenstiel moved to approve and adopt the staff recommendation as written and to authorize the Administrator to present the Third Annual Report to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy. Ms. Barna seconded. There was no public comment. The motion carried unanimously by roll call vote.

6. Financial Report: CEA Controller Ben Kirwan will provide the Council with a financial report on the Wildfire Fund as of June 30, 2022.

CEA Controller Ben Kirwan provided a financial report of the Wildfire Fund as of June 30, 2022. Referring to the Balance Sheets slide, he noted that cash and investments had decreased approximately \$200 million from September 2021 to September 2022. The main contributor of this decrease is related to the mark-to-market adjustments that were made to the investment portfolio of the CWF. Mr. Kirwan explained that mark-to-market is an accounting practice that involves adjusting the value of an asset to reflect its value as determined by current market conditions.

As of June 30, 2022, unrealized losses in CWF's investment portfolio totaled \$835 million, however no realized losses are anticipated for the following reasons:

1. 57% of the portfolio is made up of U.S. Treasuries, which do not pose a credit risk.
2. The investment management team at the CWF maintains a buy and hold strategy, which helps to ensure that losses will not be recognized.
3. The Unrealized Losses in the portfolio will decrease as securities mature and the proceeds are reinvested in short duration securities in a rising interest rate environment, leading to higher investment income.

Mr. Kirwan referred to the Statements of Revenues, Expenses, and Changes in Net Position slide and noted that the rate payer monthly non-bypassable charges (NBCs) increased in the first six months of 2022 compared to the first six months of 2021 by approximately \$150 million. This increase is related to the following:

1. California Public Utilities Commission (CPUC) increased the rate amount for Wildfire Fund NBCs for fiscal year 2022.
2. The DWR has shortened its turnaround time in sending monthly NBCs received from the IOUs to the CWF from 45 days after month end to 27 days after month-end in fiscal year 2022.

Mr. Kirwan also noted that the SMIF loan interest expense has decreased approximately 50% in the first nine months of 2022 compared to the first nine months of 2021 due to the pay down of the \$2 billion SMIF loan. The SMIF loan will be fully paid off in April of 2023. The Wildfire Fund is trending to be underbudget in both personnel and administrative expenses.

The composition of the Wildfire Fund portfolio has stayed relatively stagnant. The average credit rating of CWF's portfolio is AA+ and the overall duration of the portfolio as of June 30, 2022 has decreased to 3.44 years compared to 3.97 years as of June 30, 2021. Investment and bank fees make up a small percentage of CWF's overall spend. All fourteen of the contracted investment managers of the CWF charge monthly fees of approximately four annual basis points of assets under management, which is low compared to the industry standard rate. Mr. Kirwan noted that the yield to maturity has increased from 0.81 percent in July 2021 to 3.10 percent in June 2022. The investment portfolio is trending in the right direction.

7. Claims Administration Update: Dr. Johnson will provide an update on Claims Administration for the Wildfire Fund.

CEA Chief Catastrophe Response and Resiliency Officer Dr. Laurie Johnson provided an update on the development of the Wildfire Fund's claims administration operations including key milestones. She noted that the development of a Claims Operations Manual will ensure consistency in the claims review process. She also reported on the Administrator's ongoing monitoring of wildfires and potential claims, with PG&E projecting a potential claim of \$150 million on the Fund for the 2021 coverage year.

Dr. Johnson introduced Casie Hart, Project Manager from Sedgwick, contracted to provide claims review services to the CEA. Ms. Hart then introduced members of the Sedgwick team. The team provided a slide presentation update of the Phase 1 work program status, including the development of an Operations Manual, quality control plan, claims review processes and forms, data management structure, data management and data security, and statistical analysis.

Dr. Johnson stated the next steps are to complete the initial draft of the Operations Manual for claims review services, conduct annual reviews with each of the participating utilities, and continue build out of wildfire monitoring and notification tools, protocols, and procedures to enhance timely access to current, substantive, and detailed wildfire and claims information.

Questions and Discussion:

Mr. Rosenstiel asked if the computer programs will be off-the-shelf or created to meet specific needs.

Antonio Figueroa, Director of Data Science, Sedgwick, stated data and computer work, as well as any development and testing, is being performed in-house. Sedgwick is confident in these programs due to their experience in both technology and claims, which is Sedgwick's core competency. Implementation of claims review programs the size of the Wildfire Fund are bound to run into challenges along the way, but Sedgwick is experienced and comfortable with tackling those challenges as they come to find the best solutions.

Dr. Johnson stated that Sedgwick is working with the investor-owned utilities to gain a better understanding of their computer systems so that the Wildfire Fund and the investor-owned utilities can interface when the need arises to handle claims.

She concluded her report by noting that there have been four new wildfires since the Council's last meeting, but so far no claims have been filed against the Wildfire Fund.

8. Enterprise Risk Management: CEA Chief Risk & Actuarial Officer Shawna Ackerman will provide an update on the Enterprise Risk Management program for the California Wildfire Fund.

Chief Risk & Actuarial Officer Shawna Ackerman reported that the integration of the risks associated with the administration of the Wildfire Fund into the existing Enterprise Risk Management (ERM) framework has been completed and is now in a monitor and control stage.

She also reported on the status of the 12 priority risks that have been identified by the ERM Committee and CEA's internal risk owners, noting no change in risk status since the Council's last meeting. Ms. Ackerman stated the Staff Memo routinely calls out specific risks of interest. This quarter, the Staff Memo makes note of the Wildfire Mitigation Plans (WMP), which investor-owned electrical corporations are required to submit, assessing their level of wildfire risk and providing plans for wildfire risk reduction. She concluded by reviewing the status of the current Wildfire Mitigation Plans.

9. 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.

10. Adjournment.

There being no further business. Mr. Gordon adjourned the meeting at 3:31 p.m. p.m.



California Catastrophe Response Council Memorandum

October 27, 2022

Agenda Item 03: Executive Report

Recommended Action: No action required – information only

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

California Catastrophe Response Council Memorandum

October 27, 2022

Agenda Item 04: (Proposed) 2023 California Catastrophe Response Council Quarterly Meeting Schedule

Recommended Action: Approve 2023 California Catastrophe Response Council Quarterly Meeting Schedule

Staff recommends approval of the following dates for the Council's 2023 regular business meetings:

All meetings are on Thursdays and will begin at 2:00 p.m.

2023 Meeting Dates
February 2
May 4
August 3
November 2

January							February							March						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7				1	2	3	4				1	2	3	4
8	9	10	11	12	13	14	5	6	7	8	9	10	11	5	6	7	8	9	10	11
15	16	17	18	19	20	21	12	13	14	15	16	17	18	12	13	14	15	16	17	18
22	23	24	25	26	27	28	19	20	21	22	23	24	25	19	20	21	22	23	24	25
29	30	31					26	27	28					26	27	28	29	30	31	

April							May							June						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1		1	2	3	4	5	6					1	2	3
2	3	4	5	6	7	8	7	8	9	10	11	12	13	4	5	6	7	8	9	10
9	10	11	12	13	14	15	14	15	16	17	18	19	20	11	12	13	14	15	16	17
16	17	18	19	20	21	22	21	22	23	24	25	26	27	18	19	20	21	22	23	24
23	24	25	26	27	28	29	28	29	30	31				25	26	27	28	29	30	
30																				

July							August							September						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1			1	2	3	4	5						1	2
2	3	4	5	6	7	8	6	7	8	9	10	11	12	3	4	5	6	7	8	9
9	10	11	12	13	14	15	13	14	15	16	17	18	19	10	11	12	13	14	15	16
16	17	18	19	20	21	22	20	21	22	23	24	25	26	17	18	19	20	21	22	23
23	24	25	26	27	28	29	27	28	29	30	31			24	25	26	27	28	29	30
30	31																			

October							November							December						
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6	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23
29	30	31					26	27	28	29	30			24	25	26	27	28	29	30
														31						



California Catastrophe Response Council Memorandum

October 27, 2022

Agenda Item 05: Financial Report

Recommended Action: No action required – information only

CEA CFO Tom Hanzel will provide the California Catastrophe Response Council with a financial report on the Wildfire Fund as of September 30, 2022 and 2021.



FINANCIAL REPORT

September 30, 2022

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	September 30, 2022	September 30, 2021
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 548,079,976	\$ 340,618,236
Investments	9,002,373,869	9,596,341,984
Total cash and investments	9,550,453,845	9,936,960,220
Interest receivable	40,555,640	39,202,915
Prepaid expenses	-	229,167
Total assets	\$ 9,591,009,485	\$ 9,976,392,302
Liabilities and Net Position		
Securities payable	\$ 15,052,559	\$ 15,019,126
SMIF loan interest payable	3,522,425	8,507,000
Accounts payable and accrued expenses	1,405,498	1,452,290
Related party payable - CEA	185,340	90,420
Total liabilities	20,165,822	25,068,836
Net position:		
Restricted for CWF	9,570,843,663	9,951,323,466
Total net position	9,570,843,663	9,951,323,466
Total liabilities and net position	\$ 9,591,009,485	\$ 9,976,392,302

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

UNAUDITED

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Additions to fund assets:		
Rate payer monthly NBCs	\$ 813,808,241	\$ 601,542,953
Total contributions	813,808,241	601,542,953
Investment income & expenses	85,085,786	72,357,021
Change in unrealized gain/(loss)	(940,332,305)	(185,049,814)
Net investment income	(855,246,519)	(112,692,793)
Total additions to fund assets	(41,438,278)	488,850,160
Deductions to fund assets:		
SMIF loan principal payments	630,000,000	630,000,000
SMIF loan interest expense	14,088,409	28,857,356
General and administrative expenses	1,684,123	1,649,122
Personnel expenses	370,063	605,171
Total deductions to fund assets	646,142,595	661,111,649
Increase/(decrease) in net position	(687,580,873)	(172,261,489)
Net position, beginning of year	10,258,424,536	10,123,584,955
Net position, end of period	\$ 9,570,843,663	\$ 9,951,323,466

California Wildfire Fund
2022 Approved Budget vs 2022 Actual Activity
as of September 30, 2022

	Actual Activity for Nine Months Ended September 30, 2022	Approved Budget for Nine Months Ended September 30, 2022	Actual Activity for Nine Months Ended September 30, 2021	Approved Budget for FYE 2022
Additions to fund assets:				
Rate payer monthly NBCs, net	\$ 813,808,241 *	\$ 688,919,121	\$ 601,542,953	\$ 984,738,067 **
Utility annual contributions	-	-	-	300,000,000
Investment income (net of expenses)	85,085,786	77,852,192	72,357,021	104,053,321
	\$ 898,894,027	\$ 766,771,313	\$ 673,899,974	\$ 1,388,791,388
Total additions to fund assets				
Deductions to fund assets:				
SMIF - principal payment	\$ 630,000,000	\$ 630,000,000	\$ 630,000,000	\$ 840,000,000
SMIF - loan interest	14,088,409	14,083,904	28,857,356	16,344,411
<i>Personnel expenses:</i>				
Personnel expenses - allocated from CEA	370,063	701,925	605,171	935,900
<i>Total personnel expenses</i>	370,063	701,925	605,171	935,900
<i>General and administrative expenses:</i>				
Other contracted and consulting services	941,005	1,125,153	436,301	1,500,200
Direct legal services-general	16,138	191,250	703,851	255,000
Financial services consulting	207,625	207,972	202,500	278,442
Bank fees	180,208	180,033	175,841	240,583
G&A expenses - allocated from CEA	332,456	371,668	118,209	555,333
Travel	513	5,000	-	5,000
Software and licenses	844	4,500	689	6,000
Direct IT services	-	9,000	261	12,000
Advertising administration - RFQ	-	-	7,000	-
Audit fees	4,000	4,000	4,000	4,000
Printing & stationary	-	450	-	600
Governing board meeting expenses	1,334	900	470	1,200
<i>Total general and administrative expenses:</i>	1,684,123	2,099,926	1,649,122	2,858,358
	\$ 646,142,595	\$ 646,885,755	\$ 661,111,649	\$ 860,138,669
Total deductions to fund assets				
Change in unrealized gain/(loss)	(940,332,305)	- ***	(185,049,814)	-
Increase/(decrease) in net position	\$ (687,580,873)	\$ 119,885,558	\$ (172,261,489)	\$ 528,652,719

* - NBC funds received by CWF in 2022 are net of DWR administrative and operating expenses of \$4.5mm.
The \$4.5mm is made up of \$3.3mm of DWR A&O expenses paid from Nov'21 through Aug'22 and \$1.2mm 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 September 30, 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
6. March 2022 NBC funds	5/10/2022	72,132,388
7. April 2022 NBC funds	5/27/2022	85,856,764
8. May 2022 NBC funds	6/27/2022	87,030,948
9. June 2022 NBC funds	7/27/2022	79,283,386
10. July 2022 NBC funds	8/26/2022	89,546,426
11. August 2022 NBC funds	9/30/2022	107,385,045
Total NBCs		1,688,884,806
Total Funds Received		\$ 12,088,884,806

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 July 28, 2022 CCRC meeting.

Investment Analysis

Economic and Financial Markets Update

The annual U.S. inflation rate has remained stagnant in September 2022 – 8.2% year-over-year compared to 8.3% in August 2022, as the pace of price increases remains at multi-decade highs. Continued high prices for food, shelter, and medical care sent the consumer price index for September up by 0.4%, compared to August’s 0.1%. The index for all items less food and energy rose 0.6% in September, as it did in August. Inflation is expected to continue to remain elevated until early to mid-2023.

The Federal Reserve in September 2022 raised benchmark interest rates by another three quarters of a percentage point and indicated it will keep hiking well above the current level. In its quest to bring down inflation running near its highest levels since the early 1980s, the central bank took its federal funds rate up to a range of 3% - 3.25%, the highest it has been since early 2008, following the third consecutive 0.75% point move in 2022. Projections from the September 2022 meeting indicated that the Fed expect to raise interest rates by at least 1.25 percentage points in its two remaining meetings this year.

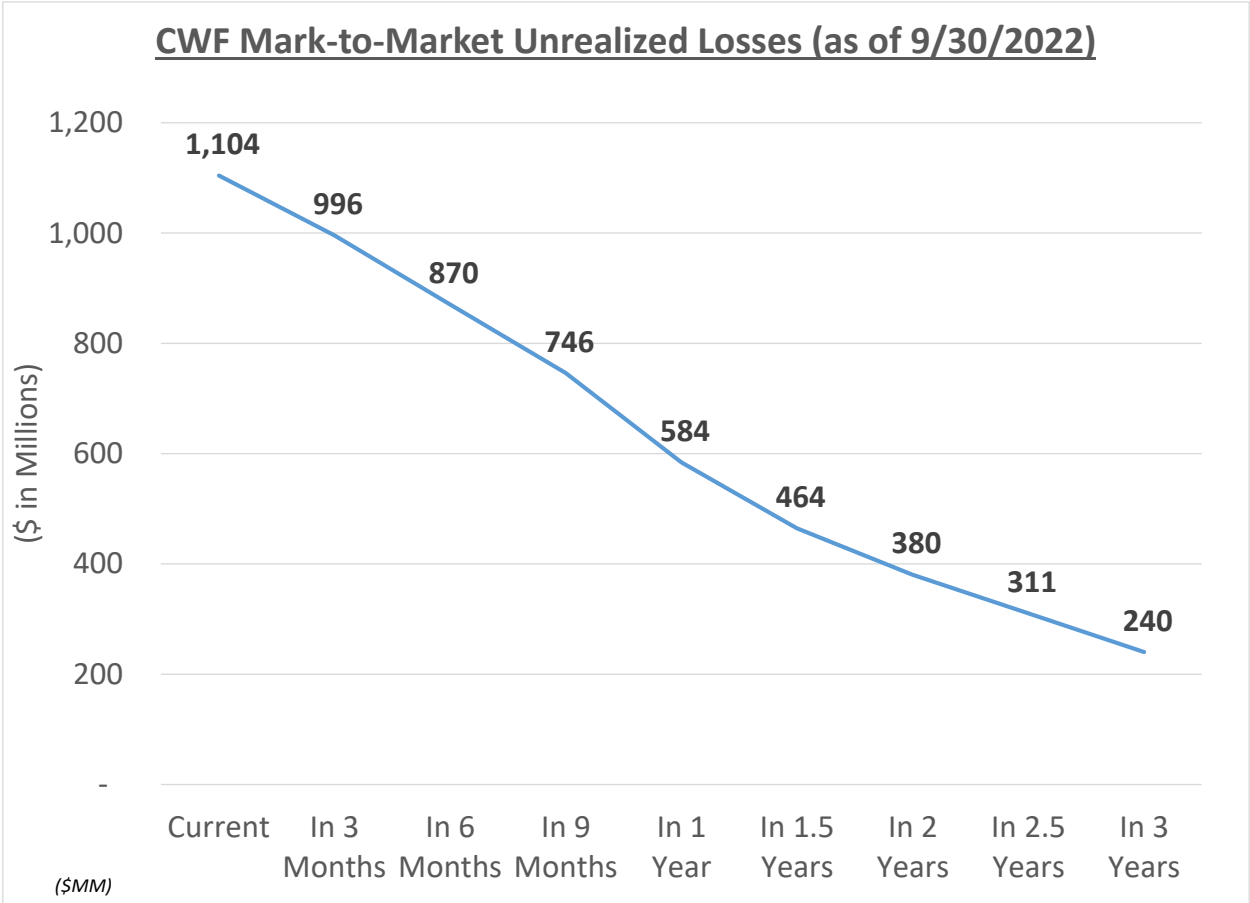
The global markets are in a similar position as central banks around the world have followed the Fed’s monetary policy during the COVID lockdown and now the world is trying to play catch up to manage inflation. Also, the unanticipated Russian invasion of Ukraine has worsened inflation and the global economic outlook.

Interest rates have responded to the Fed’s rate increases and have significantly increased over the last six months. Since the beginning of this year, the 1-year UST has increased from 0.40% to 4.50%, the 2-year UST has increased from 0.78% to 4.48%, the 5-year UST has increased from 1.37% to 4.25% and the 10-year UST has increased from 1.63% to 4.00%. The result of higher interest rates and lower equity prices will lead to higher unemployment and to economic slowdown and most likely will lead to recession over the next 12 months – not just technical recession but economic recession. The yield curve is inverted with the spread between 2- and 10-year UST at -0.48%.

U.S. Treasury Rates						
	1-Year	2-Year	5-Year	7-Year	10-Year	2-10 Yr Spread
Current (10/17)	4.50	4.48	4.25	4.15	4.00	(0.48)
Beginning of 2022 (1/3)	0.40	0.78	1.37	1.55	1.63	0.85
1 Yr Prior	0.12	0.41	1.13	1.42	1.59	1.18
2 Yrs Prior	0.13	0.14	0.30	0.51	0.73	0.59
3 Yrs Prior	1.65	1.61	1.59	1.68	1.77	0.16
5 Yrs Prior	1.43	1.60	2.03	2.24	2.39	0.79
5-Yr Average	1.40	1.51	1.74	1.89	2.00	0.49
10-Yr Average	0.91	1.09	1.60	1.88	2.11	1.01
Current as % Above / Below 5-Yr Average	222%	196%	145%	119%	100%	-197%
Current as % Above / Below 10-Yr Average	395%	309%	166%	121%	90%	-147%

Economic and Financial Markets Update (continued)

The significant increase in interest rates has impacted our portfolio through increased unrealized losses. As a function of time, unrealized losses in the portfolio will decrease as bonds mature and the proceeds are reinvested in a rising interest rate environment leading to higher investment income.



**California Wildfire Fund
CWF Portfolio Overview
9/30/2022**

September 30, 2022

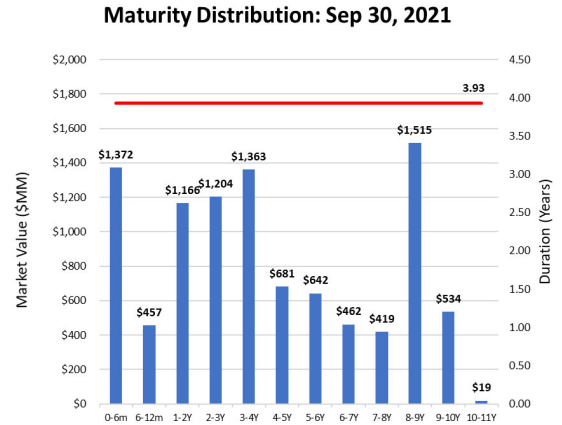
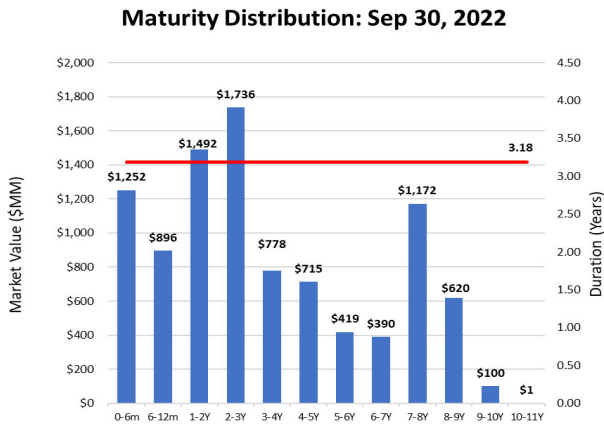
The CWF's total portfolio market value for September 2022 was \$9.57 billion with an average duration of 3.2 years and average credit ratings of "AA-".

CWF Investment Portfolio as of September 30, 2022				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,466	57.1%	AA+	2.3
U.S. Agency & Supranational	\$ 1,064	11.1%	AA+	3.3
Corporates	\$ 2,994	31.3%	A	4.8
U.S. TSY MMF	\$ 47	0.5%	AA+	1.2
Total	\$ 9,571	100.0%	AA-	3.2

September 30, 2021

The CWF's total portfolio market value for September 2021 was \$9.83 billion with an average duration of 3.9 years and average credit ratings of "AA".

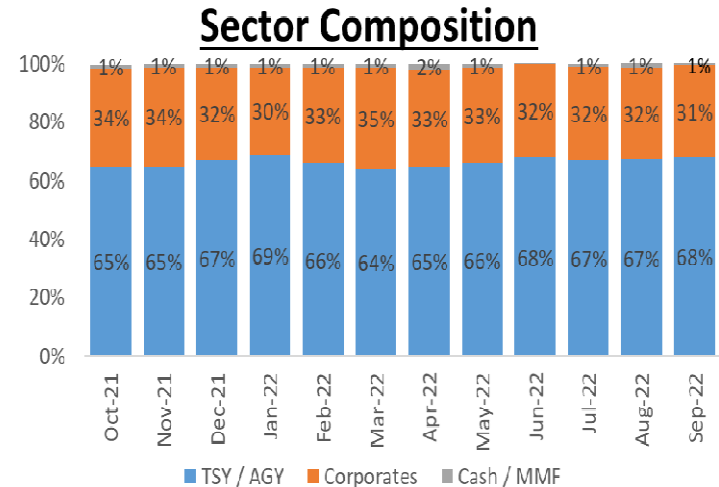
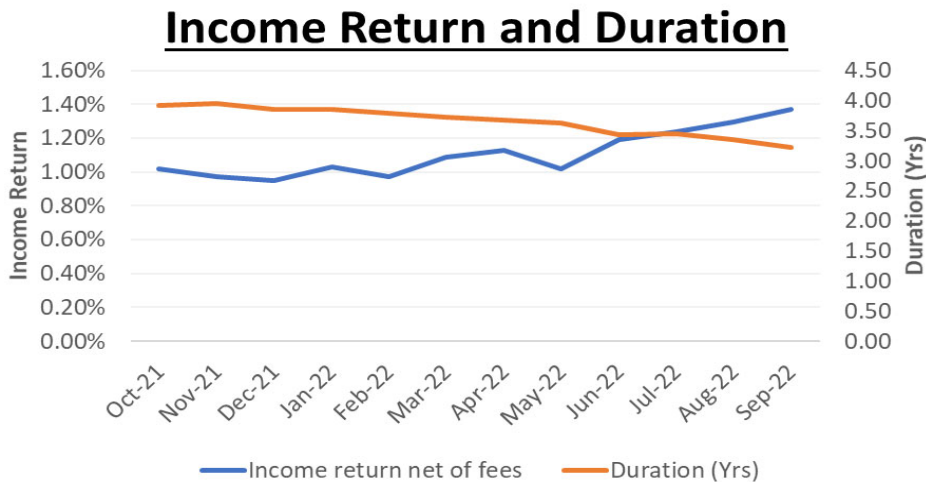
CWF Investment Portfolio as of September 30, 2021				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,607	57.0%	AA+	2.6
U.S. Agency & Supranational	\$ 1,061	10.8%	AA+	4.6
Corporates	\$ 3,145	32.0%	A	6.2
U.S. TSY MMF	\$ 19	0.2%	AA+	0.2
Total	\$ 9,833	100.0%	AA	3.9



**California Wildfire Fund
CWF Portfolio 12-Month History
9/30/2022**

CWF Investment Portfolio Overview												
	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Total Portfolio												
Market Value - Cash & Investments (\$MM)	\$9,883	\$9,968	\$10,320	\$10,126	\$10,099	\$9,829	\$9,623	\$9,909	\$9,749	\$9,826	\$9,731	\$9,550
Investment income (\$MM) *	8.73	8.34	8.35	9.14	8.49	9.36	9.51	8.61	10.09	10.45	10.89	11.33
Change in unrealized gain/(loss) (\$MM)	(51.46)	(2.06)	(19.54)	(146.77)	(70.39)	(212.35)	(198.73)	56.66	(99.44)	136.38	(177.51)	(228.17)
Investment management fees and bank fees (\$MM)	0.33	0.33	0.33	0.34	0.34	0.33	0.33	0.33	0.33	0.33	0.33	0.32
fees as a % of average AUM	0.0034%	0.0033%	0.0033%	0.0033%	0.0033%	0.0033%	0.0034%	0.0034%	0.0034%	0.0034%	0.0033%	0.0033%
Income return gross of fees	1.06%	1.01%	0.99%	1.07%	1.01%	1.13%	1.17%	1.06%	1.23%	1.28%	1.34%	1.41%
Income return net of fees	1.02%	0.97%	0.95%	1.03%	0.97%	1.09%	1.13%	1.02%	1.19%	1.24%	1.30%	1.37%
Yield to Maturity	1.03%	1.05%	1.11%	1.49%	1.69%	2.28%	2.80%	2.73%	3.10%	2.98%	3.52%	4.26%
Duration (Yrs)	3.92	3.95	3.85	3.86	3.79	3.73	3.68	3.62	3.44	3.46	3.35	3.23
Portfolio Composition (%)												
TSY / AGY	65%	65%	67%	69%	66%	64%	65%	66%	68%	67%	67%	68%
Corporates	34%	34%	32%	30%	33%	35%	33%	33%	32%	32%	32%	31%
Cash / MMF	1%	1%	1%	1%	1%	1%	2%	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 Nine Months Ended September 30, 2022 and 2021
 9/30/2022

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 Nine Months Ended Sept'22 and Sept'21.

Department	9 months ended Sept'22		9 months ended Sep'21		CWF Salary & Benefit costs =	Sept'22	Sept'21
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	188.6	19,568	229.2	20,238		337,303 A	579,778
2. Exec	223.0	53,441	323.6	76,557		19,557,625 B	19,377,038
3. Finance	1,173.4	115,754	2,049.6	178,189		19,894,928 C	19,956,816
4. IT	51.0	5,100	104.5	8,338			
5. Internal Ops	9.0	1,597	49.5	6,665			
6. Insurance Ops	281.2	54,906	568.2	104,176			
7. Legal	819.8	86,936	1,467.7	185,615			
Total Direct Hours/Costs	2,745.9	337,303	4,792.1	579,778	Allocation % =	1.70% = A/C	2.91%

All other indirect costs were allocated to the CWF based on the 1.70% and 2.91% allocations noted above. The following indirect expenses were charged to the CWF:

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	15,801	29,376
Rent-Office Equip/Furniture	86450-16	721	1,800
Building Maintenance and Repairs	86475-16	291	556
Furniture/Equipment <\$5000	86500-16	72	-
EDP Hardware <5000	86505-16	1,440	3,915
EDP Software <5000	86506-16	36,823	66,559
Office Supplies	86510-16	141	282
Postage	86530-16	23	88
HR and IT staff allocation	85101-16	32,760	25,393
Telecommunications	86550-16	3,018	-
Insurance Expense	86600-16	8,597	7,990
Other Administration Services	88175-16	785	1,527
Direct Investment Technology Support	89805-16	264,744	6,115
Total Indirect Costs		365,216	143,602
Total Costs		702,519	723,379



California Catastrophe Response Council Memorandum

October 27, 2022

Agenda Item 06: Conflict-of-Interest Code Amendment

Recommended Action: Authorize CEA to manage the Conflict-of-Interest Code Amendment Process

When the Council was created in 2019 to oversee the administration of the Wildfire Fund, as a matter of routine compliance the CEA assumed responsibility for preparing and obtaining regulatory approval of a Conflict-of-Interest Code. Maintaining a Conflict-of-Interest Code that reflects the statutory functions of the Council is a statutory requirement. In the ordinary course, Conflict of Interest Codes are updated as administrative activity evolves and develops over time. CEA staff has commenced a process of updating the current Conflict of Interest Code to ensure that it reasonably tracks with the activity of administering and overseeing the Wildfire Fund.

CEA Executive Staff will request Council approval to manage the Conflict-of-Interest Code amendment process. A draft of the proposed amended Conflict-of-Interest Code, a copy of the current Conflict-of-Interest Code, and a statement of reasons for the revisions are included respectively as Attachments A, B, and C.

A summary of changes is described below:

- New position added as position participates in making governmental decisions
- Disclosure category changed to narrow the scope of reporting
- Renamed positions to provide consistency
- Positions removed as these positions do not participate in making governmental decisions

Recommendation

Staff recommends that the Council approve the proposed revisions to the Conflict-of-Interest Code, and take all necessary steps to seek approval for the revised Code.

CALIFORNIA CATASTROPHE RESPONSE COUNCIL
CONFLICT-OF-INTEREST CODE

The Political Reform Act (Gov. Code Sec. 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict-of-interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Sec. 18730) that contains the terms of a standard conflict-of-interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices designating positions and establishing disclosure categories shall constitute the conflict-of-interest code of the California Catastrophe Response Council (Council) and the California Wildfire Fund Administrator.

Members and designees of the Council and the Chief Executive Officer file electronically with the Fair Political Practices Commission. All other individuals holding designated positions must file their statements with the Fair Political Practices Commission filing officer with the California Wildfire Fund Administrator. All statements must be made available for public inspection and reproduction under Government Code Section 81008.

APPENDIX A
DESIGNATED POSITIONS

List of Designated Positions _____	Assigned Disclosure Category
<i>CALIFORNIA WILDFIRE FUND ADMINISTRATOR STAFF**</i>	
Chief Executive Officer	1, 2
Chief Communications Officer	1, 2
<u>Chief Catastrophe Response and Resiliency Officer</u>	<u>1, 2</u>
Career Executive Assignment (All Levels)	1, 2
Chief Information Security Officer	1, 2
Legislative Director/Manager	2
General Counsel	1, 2
Attorney (All Levels)	1, 2
Compliance Officer/Manager	1, 2
Chief Financial Officer	1, 2
Controller	1, 2
Auditors (All Levels)	2
Chief Administrative Operations Officer	1, 2
Chief Mitigation Officer	1, 2
Chief <u>Risk and Actuarial Officer</u>	1, 2
Staff Services Managers (All Levels)	2
Reinsurance and Risk Transfer Director	1, 2
Accounting Administrator (All Levels)	2
Financial Accountant (All Levels)	2
Facilities Coordinator	2
Enterprise Risk Management Officer	1, 2
Enterprise Project Management Office Manager	1, 2
CONSULTANTS/NEW POSITIONS*	*

*Consultants/New Positions shall be included in the list of designated positions and must disclose pursuant to the broadest disclosure category in the code, subject to the following limitation:

The Chief Executive Officer may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements in this section.

The written determination must include a description of the consultant's or new position's duties and, based on that description, a specific statement of the extent of disclosure required. The Chief Executive Officer's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Sec. 81008.)

OFFICIALS WHO OVERSEE PUBLIC INVESTMENTS

The following positions are not covered by the code because the positions manage public investments. Individuals holding such positions must file under Government Code Section 87200 and are listed for informational purposes only. Section 87200 requires disclosure of all investments and business positions in business entities, all income, including gifts, loans and travel payments, and real property.

CALIFORNIA CATASTROPHE RESPONSE COUNCIL MEMBERS

** The California Catastrophe Response Council is responsible for designating the California Wildfire Fund Administrator. Positions designated in this Code are positions of the entity designated as the California Wildfire Fund Administrator.

APPENDIX B
DISCLOSURE CATEGORIES

CATEGORY 1: Interests in real property of the type purchased or leased by the California Catastrophe Response ~~Council~~Council for its use.

CATEGORY 2: All investments, business positions in business entities, and income, including receipt of gifts, loans, and travel payments, from electrical corporations participating in the Wildfire Fund, as well as from entities that supply materials, supplies, books, machinery, equipment, or services of the type used by the California Catastrophe Response Council or the California Wildfire Fund Administrator.

~~All investments, business positions in business entities, and income, including receipt of gifts, loans and travel payments, from entities that supply materials, supplies, books, machinery, equipment or service of the type used by the California Catastrophe Response Council or the California Wildfire Fund Administrator.~~

CALIFORNIA CATASTROPHE RESPONSE COUNCIL
CONFLICT-OF-INTEREST CODE

The Political Reform Act (Gov. Code Sec. 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict-of-interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. Sec. 18730) that contains the terms of a standard conflict-of-interest code, which can be incorporated by reference in an agency's code. After public notice and hearing, the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This regulation and the attached Appendices, designating positions and establishing disclosure categories, shall constitute the conflict-of-interest code of the California Catastrophe Response Council (Council).

Members and designees of the Council and the Chief Executive Officer file electronically with the Fair Political Practices Commission. All other individuals holding designated positions must file their statements with the California Wildfire Administrator. All statements must be made available for public inspection and reproduction under Government Code Section 81008.

APPENDIX A
DESIGNATED POSITIONS

List of Designated Positions	Assigned Disclosure Category
<i>CALIFORNIA WILDFIRE FUND ADMINISTRATOR STAFF**</i>	
Chief Executive Officer	1, 2
Chief Communications Officer	1, 2
Career Executive Assignment (All Levels)	1, 2
Chief Information Security Officer	1, 2
Legislative Director/Manager	2
General Counsel	1, 2
Attorney (All Levels)	1, 2
Compliance Officer/Manager	1, 2
Chief Financial Officer	1, 2
Controller	1, 2
Auditors (All Levels)	2
Chief Operations Officer	1, 2
Chief Mitigation Officer	1, 2
Chief Actuary	1, 2
Staff Services Managers (All Levels)	2
Reinsurance and Risk Transfer Director	1, 2
Accounting Administrator (All Levels)	2
Financial Accountant (All Levels)	2
Facilities Coordinator	2
Enterprise Risk Management Officer	1, 2
Enterprise Project Management Office Manager	1, 2
CONSULTANTS/NEW POSITIONS	*

*Consultants/New Positions shall be included in the list of designated positions and must disclose pursuant to the broadest disclosure category in the code, subject to the following limitation:

The Chief Executive Officer may determine in writing that a particular consultant or new position, although a "designated position," is hired to perform a range of duties that is limited in scope and thus is not required to comply fully with the disclosure requirements in this section. The written determination must include a description of the consultant's or new position's duties and, based on that description, a specific statement of the extent of disclosure required. The Chief Executive Officer's determination is a public record and shall be retained for public inspection in the same manner and location as this conflict-of-interest code. (Gov. Code Sec. 81008.)

OFFICIALS WHO OVERSEE PUBLIC INVESTMENTS

The following positions are not covered by the code because the positions manage public investments. Individuals holding such positions must file under Government Code Section 87200 and are listed for informational purposes only. Section 87200 requires disclosure of all investments and business positions in business entities, all income, including gifts, loans and travel payments, and real property.

CALIFORNIA CATASTROPHE RESPONSE COUNCIL MEMBERS

** The California Catastrophe Response Council is responsible for designating the California Wildfire Fund Administrator. Positions designated in this Code are positions of the entity designated as the California Wildfire Fund Administrator.

APPENDIX B
DISCLOSURE CATEGORIES

CATEGORY 1: Interests in real property of the type purchased or leased by the California Catastrophe Response Council for its use.

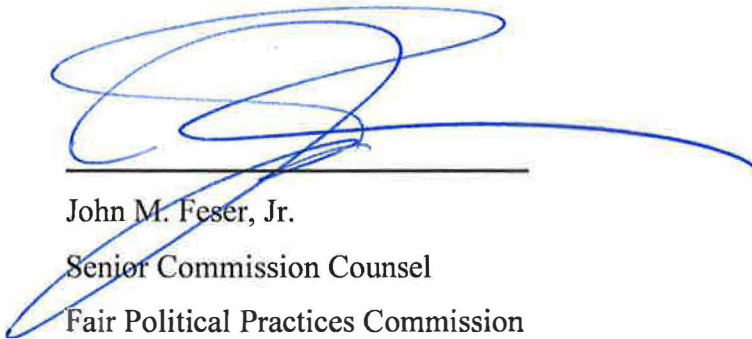
CATEGORY 2: All investments, business positions in business entities, and income, including receipt of gifts, loans, and travel payments, from entities that supply materials, supplies, books, machinery, equipment, or services of the type used by the California Catastrophe Response Council or the California Wildfire Fund Administrator.

This is the last page of the conflict of interest code for the **California Catastrophe Response Council**.



CERTIFICATION OF FPPC APPROVAL

Pursuant to Government Code Section 87303, the conflict of interest code for the **California Catastrophe Response Council** was approved on 5/23/ 2020.



John M. Feser, Jr.
Senior Commission Counsel
Fair Political Practices Commission

Pursuant to Government Code Section 11346.2:

Secretary of State Filing Date:

Effective:

Conflict of Interest Code for the California Catastrophe Response Council Amendment Matrix

A - Current Code		B- Proposed Code		
Grouping & Positions	Disclosure	Action	Details	Explanation
		ADD Position	Chief Catastrophe Response and Resiliency Officer– Categories 1 and 2	New decision maker position. Position participates in making governmental decisions on hiring and supplies vendors for section.
	Category 2	Change Category	Added “from electrical corporations participating in the Wildfire Fund” to provide clarity.	Disclosure assignment changed to narrow the scope of reporting.
Chief Operations Officer	Category 1, 2	Rename Position	Chief Administrative Officer	Position was renamed and participates in governmental decisions on contracts, expenditures and hiring.
Chief Actuary	Category 1, 2	Rename Position	Chief Risk and Actuarial Officer	Position was renamed and participates in governmental decisions on contracts, expenditures and hiring. Enterprise Risk Management Officer combined into this position.
Career Executive Assignment (All Levels)	Category 1, 2	DELETE Position	N/A	Position does not participate in making a governmental decision.
Chief Information Security Officer	Category 1, 2	DELETE Position	N/A	Position does not participate in making a governmental decision.
Compliance Manager	Category 1, 2	DELETE Position	N/A	Position does not participate in making a governmental decision.
Auditors (All Levels)	Category 2	DELETE Position	N/A	Position does not participate in making a governmental decision.
Chief Mitigation Officer	Category 1, 2	DELETE Position	N/A	Position does not participate in making a governmental decision.

Staff Services Managers (All Levels)	Category 2	DELETE Position	N/A	Position does not participate in making a governmental decision.
Facilities Coordinator	Category 2	DELETE Position	N/A	Position does not participate in making a governmental decision.
Enterprise Risk Management Officer	Category 1, 2	DELETE Position	N/A	Position was combined into the Chief Risk and Actuarial Officer position.
Enterprise Project Management Office Manager	Category 1, 2	DELETE Position	N/A	Position does not participate in making a governmental decision.



California Catastrophe Response Council Memorandum

October 27, 2022

Agenda Item 07: Claims Administration Update

Recommended Action: No action required - Information only.

Background

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

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

Implementation of the Claims Administration Procedures

The Administrator continues to work with Sedgwick to complete the scope of work for Phase 1 of its contract. The claims review services provider's scope of work is divided into two phases:

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



procedures; and a claims review personnel plan and training program. The work plan is intentionally iterative so that the full operational approach will be mapped out, then tested before finalization.

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

In this third quarter of Phase 1 work, Sedgwick has been drafting sections of the Operations Manual, finalizing the data management structure and claims review forms for the Threshold Claims and Eligible Claims review processes, documenting the approach for statistical analyses of claims data, working with the Administrator and Participating Utilities on data management and data security, and developing the claims review quality control plan. Sedgwick is on track to complete the Phase 1 work by early February 2023.

Wildfire Monitoring and Notification

The Administrator is actively monitoring and reporting to the Council on active wildfires during the 2022 season as well as the status of potentially Covered Wildfires in the 2019, 2020 and 2021 coverage years.

There is little change in the status of potentially Covered Wildfires since the Administrator's report at the July 28, 2022 Council meeting. Reported losses, in aggregate, for the 2019 and 2020 coverage years for each of the three Participating Utilities have not yet exceeded the current \$1 billion threshold necessary for any of the Participating Utilities to make a claim on the Fund. The Administrator continues to monitor the reported losses for two major fires—the October 2019 Kincade Fire and the September 2020 Zogg Fire.

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



million from the Fund. The Administrator will continue to closely monitor PG&E's 2021 losses and plan for the potential submission of claims.

Next Steps

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



California Catastrophe Response Council Memorandum

October 27, 2022

Agenda Item 08: Enterprise Risk Management Program

Recommended Action: No action required – information only

Risk Reporting

The 3rd 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 controls have been applied.

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
Wildfire Modeling	Distorted or incorrect view of Wildfire Fund durability due to invalid, inaccurate, or outdated methods or assumptions in external or internal wildfire models	● High	● Strong	● Medium
Workforce	Adverse impacts to the administration of the Wildfire Fund that occur due to a workforce issue or constraint at CEA	● Medium	● Strong	● Low
Mitigation	Durability of the Wildfire Fund is dependent on successful mitigation activities which are outside the direct control of CEA as the Wildfire Fund Administrator but that must be monitored	● Medium	● Medium	● Medium

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
Risk Transfer	Reasonably priced risk transfer products for wildfire cover are not available when needed	● Medium	● Strong	● Low
Reputation	Public's loss of confidence in CEA as Administrator of the Wildfire Fund or loss of confidence in the ability of the Wildfire Fund to meet its objectives	● Medium	● Strong	● Low
Legislative/Regulatory	Legislative, regulatory, or political actions that materially change the Wildfire Fund Administrator and/or Council's ability to fulfill its current obligations or mission	● Medium	● Strong	● Low
Legal	Harm to the Wildfire Fund resulting from (a) disputes with third parties, (b) regulatory/legislative enforcement actions, and/or (c) compliance lapses	● Medium	● Strong	● Low
Investments	Losses to the Wildfire Fund due to failure to adhere to established investment guidelines and/or performance objectives not achieved	● Medium	● Strong	● Low
Information Security	Losses due to unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information and/or accessibility of IT systems	● Medium	● Strong	● Low
Financial Reporting	Inaccurate financial accounting or reporting or inadequate controls that result in a material error in published financial statements	● Medium	● Strong	● Low



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

Additional Comments on Priority Risks

Information Security

Given the significant risks that exist in this market, and the large losses in recent years from covered activities like ransomware, Denial of Service attacks, and data breaches, CEA’s Chief Information Security Officer has steadily hardened CEA’s information security infrastructure to protect against these types of risks. CEA’s Security Team continues to enhance the CEA’s data security with routine staff training and technical enhancements that increase our data security. Additionally, CEA maintains cyber insurance which was successfully renewed in August. While the renewing premium was 18% higher than the prior policy, this is well below what comparable accounts have experienced in the difficult cyber insurance market and stands as independent validation of the effectiveness of the cyber security investments made in recent years.

Costs for the CEA’s insurance program which, in addition to cyber insurance, include commercial businessowners liability coverage, Director & Officers and Employment Practices Liability coverages and Workers Compensation are allocated to the CWF based on the ratio of CWF salary & benefits costs to CEA salary & benefits costs as detailed in the Financial Report.

Mitigation

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



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

As previously reported, The Office of Energy Infrastructure Safety (OEIS) released its evaluation and approval of San Diego Gas and Electric’s (SDG&E) 2022 Wildfire Mitigation Update on July 5, 2022.¹

On July 20, 2022, OEIS released its evaluation and approval of Southern California Edison’s (SCE) 2022 Wildfire Mitigation Plan Update.²

The evaluation notes that SCE increased its maturity level for each of the 10 broad maturity categories except vegetation management. The lowered score in this category relates to three associated questions regarding the utility’s work with local landowners and partners to provide cost-effective uses for vegetation cuttings. SCE’s responses focused on cost-effectiveness, acknowledging that working with local landowners and partners to identify or provide uses for cut vegetation is not always cost-effective. Vegetation management was identified in the SDG&E report as an area needing more research on best practices and that sentiment is echoed in the SCE report. The three IOUs are engaged in a multi-year vegetation clearance study.

The OEIS report notes that SCE has made significant progress over the past year including an expanded weather station network with more weather stations per overhead mile than its peer utilities, which aids its weather forecasting and situational awareness capabilities. It also notes that SCE’s mitigation initiatives have reduced the duration, frequency and scope of its Public Safety Power Shutoff events in 2021 with further improvements projected for 2022.

The evaluation also identifies areas for continued improvement and required progress. For example, the OEIS report notes that the large IOUs must collaborate on incorporating climate change into their risk and consequence modeling. Each IOU is

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

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



pursuing their own efforts to integrate these considerations which are duplicative and can lead to conflicting results.

As of October 4, 2022, PG&E's 2022 Wildfire Mitigation Plan update is under evaluation.

The Administrator is arranging for each IOU to make periodic presentations to the Council on mitigation activities.