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Date of Notice: Monday, October 12, 2020

Amended October 19, 2020-
New telephonic participation
access information

PUBLIC NOTICE

A PUBLIC MEETING OF THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL

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

Pursuant to Governor Newsom’s Executive Order N-29-20, issued March 17, 2020, certain provisions of the Bagley-Keene Open Meeting Act are suspended or waived during the declared State of Emergency in response to the COVID-19 pandemic. Consistent with the Executive Order, in order to promote and maximize social distancing and public health and safety, this meeting will be conducted by teleconference only. None of the locations from which the Council members will participate will be open to the public. All members of the public shall have the right to observe the meeting and offer comment at this public meeting as described in this Notice.

DATE: Thursday, October 22, 2020

TIME: 2:00 p.m.

TELECONFERENCE ACCESS: *

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

Enter Access code: 876 7088 4271 #

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

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

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comment at this public meeting. The member of the Council acting as Chair of the meeting will indicate when a portion of the meeting is to be open for public comment. **At that point, any member of the public wishing to comment must press *9 on their phone.** Pressing *9 will notify the call moderator that you wish to comment, and you will be placed in line to comment in the order in which requests are received by the moderator. When it is your turn to comment, the moderator will unmute your line and announce your opportunity to comment by referencing your telephone number. The Chair of the meeting reserves the right to limit the time for comment. **Members of the public should be prepared to complete their comments within approximately 2 to 3 minutes.** More or less time may be allotted by the Chair in his or her sole discretion.

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

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

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

<https://www.cawildfirefund.com/california-catastrophe-response-cou>

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

AGENDA

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

Governor	Appointee of the Senate Rules Committee
Treasurer	Public Member Paul Rosenstiel
Insurance Commissioner	Public Member Rhoda Rossman
Secretary for Natural Resources	Public Member Catherine Bando
Appointee of the Speaker of the Assembly	

Establishment of a quorum

2. Minutes: Review and approve minutes of the July 23, 2020 meeting of the Council.
3. Executive Report: CEA CEO, Glenn Pomeroy will provide the Council with an executive report.
4. Investor-Owned Utilities Mitigation Activities: The investor-owned utilities will provide the Council with a presentation regarding their wildfire mitigation activities.
 - **Wildfire Ignition Risk Reduction Activities**: SDG&E - Jonathon Woldemariam, Director of Wildfire Mitigation & Vegetation Management
 - **Public Safety Power Shutoffs (PSPS) and Efforts to Reduce Customer Impacts**: PG&E – Matt Pender, Director, Community Wildfire Safety Program
 - **Wildfire Risk Assessment, Situational Awareness and New Technologies to Understand and Reduce Wildfire Risk**: Southern California Edison – Bill Chiu, Managing Director, Grid Resiliency PMO.
5. Financial Report: CEA CFO, Tom Hanzel, will provide the Council with a financial report on the Wildfire Fund as of August 31, 2020.
6. Annual Report Pursuant to Public Utilities Code 3287: CEA Senior Counsel Suman Tatapudy, will discuss the requirement that the Council, with the assistance of the Administrator, file an annual report with the Legislature and the Department of Finance under Public Utilities Code section 3287.
7. Articles of Governance: Ms. Tatapudy will present and request adoption of minor amendments to the Council's Articles of Governance.
8. Claims Administration: Dr. Laurie Johnson, CEA's Chief Catastrophe Response & Resiliency Officer, will present and request adoption of a statement of the Wildfire Claims Administration – Provisional Policy Statement and Summary of Procedures.
9. Administrator Evaluation: Mr. Pomeroy will discuss a process under which the Council may conduct annual evaluations of the performance of CEA, as Wildfire Fund Administrator.
10. 2021 California Catastrophe Response Council Quarterly Meeting Schedule: Mr. Pomeroy will seek approval of the proposed 2021 Council meeting dates.
11. 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.
12. 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/california-catastrophe-response-cou>



California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes

Review and approve minutes of the July 23, 2020 meeting of the California Catastrophe Response Council.



[DRAFT]

**CALIFORNIA CATASTROPHE RESPONSE COUNCIL
(WILDFIRE FUND)**

MEETING MINUTES

Thursday, July 23, 2020

2:00 p.m.

**[Teleconference Meeting – Accessible to Public via
+1 (699) 900-6833; Access Code 810 4607 8900#]**

Members of the Council (all participating via teleconference):

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

Staff Members of the California Earthquake Authority (CEA) as Administrator of
the Wildfire Fund (all participating via teleconference):

Glenn Pomeroy, Chief Executive Officer
Tom Hanzel, Chief Financial Officer
Laurie Johnson, Chief Catastrophe Response & Resiliency Officer
Tom Welsh, General Counsel
Suman Tatapudy, Senior Counsel
Shannon McEuen, Governance Liaison
Niki Wehling, Senior Creative Services Specialist

1. Quorum

Call to Order and Member Roll Call

Chair Mark Ghilarducci called the teleconference meeting to order at 2:07 p.m. and welcomed everyone.

Ms. McEuen called the roll and stated that a quorum was present (all Council members present).



2. Minutes

Review and approve minutes of the April 23, 2020 meeting of the California Catastrophe Response Council (CCRC or Council).

MOTION: Ms. Rossman motioned to adopt the April 23, 2020 meeting minutes as written. Ms. O'Connor seconded. The Motion carried unanimously.

3. Executive Report

Report by CEA CEO Glenn Pomeroy on the status of CEA's administration of the Wildfire Fund.

Glenn Pomeroy, Chief Executive Officer, CEA, began by explaining the structure of the CEA and its dual roles of (a) administering a residential earthquake insurance fund, under the direction of CEA's Governing Board, and (b) acting as Administrator of the California Wildfire Fund, under the oversight of this Council.

Mr. Pomeroy introduced two newer members of CEA's executive team: Charlotte Fadipe, Chief Communications Officer, and Dr. Laurie Johnson, Chief Catastrophe Response & Resiliency Officer. He noted that Dr. Johnson will lead all claims activities for the Wildfire Fund.

Mr. Pomeroy reported that CAL FIRE has now determined that PG&E equipment was the cause of the Fall 2019 "Kincade Fire." This means that the fire could ultimately be considered a "covered wildfire" and PG&E could potentially make a claim on the Wildfire Fund if its paid claims exceed \$1 billion and are otherwise "eligible claims" under AB 1054.

Mr. Pomeroy concluded by stating that the Wildfire Fund Administrator is ready for the challenges we face. The CEA is grateful for the confidence placed upon it by the Council, and is respectful of the Council's important role as overseer of the Wildfire Fund Administrator.

Questions and Comments

Mr. Cash asked when the Council will know about the Kincade Fire and how it might affect the fund. Mr. Welsh answered that since last week's cause determination, PG&E's in-house claims people and any vendors they use will start the process of determining what claims they need to pay. The question of whether the Kincade Fire results in a claim on the Wildfire Fund is entirely dependent on the magnitude of the compensable losses. CEA expects to receive estimates of incurred liabilities from PG&E so that CEA can ascertain the likelihood that losses will exceed the \$1 billion retention. That will dictate the level of involvement CEA has in the administration of claims.

Mr. Martinez asked about the component in which the California Public Utilities Commission (CPUC) also makes a determination, based on existing statute,



before the Fund, regarding potential costs and reimbursement of expenses. Mr. Welsh responded that the CPUC will be involved, but the timing and sequencing are such that if there is a “covered wildfire” (one determined by CAL FIRE to have been caused by a utility company) that exceeds \$1 billion, PG&E will have the ability to make a claim against the Wildfire Fund. Such a claim is the trigger for when the utility must start a rate case with the CPUC. The outcome of the rate case will determine whether the utility must pay back some or all of the amounts drawn from the Wildfire Fund. The rate case examines the utility’s “prudence” in its operations: if the utility was “imprudent” and CPUC determines that that it would not be “just and reasonable” for the costs of the wildfire to be borne by ratepayers, then the utility must refund to the Wildfire Fund some or all of the funds drawn, subject to a formulaic “cap” set forth in AB 1054.

Mr. Rosenstiel noted that PG&E was in Chapter 11 bankruptcy when the fire occurred, so there is a 40% limitation on what can be paid. Mr. Welsh explained that AB 1054 provides that the Wildfire Fund will only pay 40% of the allowed amount of an eligible claim that arose during PG&E’s bankruptcy.

4. Legislative Update

Report by CEA CEO Glenn Pomeroy on AB 2167 (Daly & Cooley) and SB 292 (Rubio), legislation pending in the California State Legislature that may impact the Council, and, if appropriate, propose the Council discuss and consider adopting formal positions on each bill.

Mr. Pomeroy stated that at this time, these two pieces of legislation do not impact the Council, and the meeting could move on to the next item. Chair Ghilarducci agreed.

5. Financial Report

Financial report by CEA CFO Tom Hanzel on the Wildfire Fund, including (a) a status report on the issuance of DWR Bonds for purposes of repayment of the \$2 billion loan from the State’s Surplus Money Investment Fund; (b) a status report on the Wildfire Fund’s risk transfer and reinsurance program for the 2020 wildfire season; (c) an update on CEA’s budget process for annual administration expenses for the Wildfire Fund; and (d) the status of implementing the revised Investment Policy for the Wildfire Fund.

Mr. Hanzel began with a review of year-to-date financials. He explained the balance sheet. We did not have any inflows between December 31, 2019 and June 30, 2020 so the total net position is up by about \$115 million. That is driven by our portfolio. We have had some improvements in our YTD unrealized gain position.



The income statement shows the unrealized gain position at \$130.9 million. Investment income net of expenses was around \$35 million. Unrealized gain happens when interest rates decline over time as compared with the current interest rates on our book, causing the portfolio value to increase as shown on the income statement.

On the expense side, an expense of \$26 million was related to reinsurance – a risk transfer we purchased before last season that is spread over the life of the contract, which ended on May 31, 2020.

An expense of \$23 million was related to the Surplus Money Investment Fund (SMIF) loan interest.

Following PG&E's exit from bankruptcy, we received a wire from them for their initial capital contribution of about \$4.8 billion and their first annual contribution to the Fund – their portion of the \$300 million per year that the Investor-Owned Utilities (IOUs) will be sending to the Fund – of about \$193 million.

Ms. Rossman asked if the annual contribution from the three utilities was for a partial year – for last year. Mr. Hanzel answered that it was made in December; the premium amount of the annual contribution is due before the end of each calendar year. An annual full-year contribution is \$300 million.

Regarding the expenses to manage the Wildfire Fund, in the first six months of this year it cost about \$1.3 million – a 50/50 split between personnel and all other administrative expenses. Our run rate is probably around \$2.5 million per year.

The investment analysis showed that as of June 30, prior to the investment policy change, the reinvestment rate was .20%. We have worked to revise the investment policy, combining two policies into one, still within the confines of California Government Code section 16430. It became effective near the end of June. Mr. Hanzel explained the changes.

He gave an update on the risk transfer process. In mid-June, about 50 reinsurers engaged in discussions on reinsurer marketing that were hosted by the CEA team and Guy Carpenter's broker team. The next week, the broker team provided a broader and more detailed placement memorandum and modeling information to the reinsurers so they could go deeper into their analysis. The CEA's goal was to receive some quotes from the market by the end of June. Our focus was to help the durability of the Fund.

By consensus, we decided not to go forward with the risk transfer program. In the future, if there is a program that will optimize the Fund and its durability with risk transfer and reinsurers, we will go with that.

Regarding wildfire revenue bonds, part of AB 1054 focused on the need for us to have the ability to raise funds if there is a fire that requires additional capital. It authorized the Department of Water Resources (DWR) to receive from the IOUs the collections of Wildfire Nonbypassable Charges (NBCs). It also authorized



DWR to issue revenue bonds after the legacy Power Supply Revenue Bonds have been paid or defeased at the end of September. There are about 11.5 million customers within the service areas of the IOUs.

CPUC Decision 19-10-056 sets the revenue target at just over \$900 million annually, to be collected as soon as October 1, 2020 and running through January 1, 2036.

Those proceeds are all about securing the Wildfire Revenue Bonds as they are issued. Once the funds are in the Wildfire Fund, they cannot flow back and repay the bonds.

Ms. Rossman asked about the scale of the administrative and operating expenses. Mr. Hanzel explained that CEA has been working with DWR to understand the infrastructure and funding they require to operate and receive the funds from the IOUs. Any flow going out of receipt of the fund impacts durability; we are being careful to account for every dollar. We still have work to do to get to a number with which we all feel comfortable.

Ms. Rossman said that she would expect that expense to be minimal. She would like to know more about it before the Council approves the budget.

Ms. O'Connor agreed – the Treasurer would like some details about how this money will be spent. With the current volatile economy, the Treasurer is strongly in favor of transparency on how money is spent. Experts in that office say that usually what is done in situations like this is to request a line item pro forma workload study that details how DWR would utilize \$25 million.

Mr. Gordon strongly agreed with the need for a detailed accounting. It would ensure that we are maximizing the Fund and its capacity and not subsidizing work that does not need to be done.

Ms. Rossman noted that in the private sector, transferring cash and assets is a relatively automated function. She hoped for a similar kind of efficiency from the government.

Mr. Rosenstiel concurred: we have 20 years of experience with DWR in terms of the work they have done on the power bonds. One of the roles of this Council is to look at the budget of everyone who is helping to service our need, including the CEA, the State Treasurer, and DWR.

Ms. Bando commented that the amount should seemingly be much less than what they are stating. The actual collection of these monies is from the IOUs, and it is part of the waterfall – how much accounting and staff time would it take to manage that until it actually gets to the Wildfire Fund?

Mr. Cash stated that as DWR is within his own agency, he has been working with them on these costs, and they have come down significantly already. He supported the Council's efforts as stated today to take a closer look, ensuring that what they are going to be doing is fair and supported by documentation.



Mr. Hanzel stated that he would work with the CEA team to develop an appropriate process to address the matter of DWR's administration expenses.

Mr. Hanzel resumed the financial presentation. The purpose of the Wildfire Revenue Bonds is to repay the State the \$2 billion the Wildfire Fund received from the SMIF, as well as \$9 million from the General Fund that went to the DWR. There is potential for additional liquidity for the Wildfire Fund if we deem it necessary. Finally, the bonds will pay the cost of issuance for the financing and ensure that we have minimum liquidity in the account based on the documents we are developing.

The high level of the bonds is set at a minimum of \$2 billion for a par amount. We are working on maturities. The bonds will be federally taxable but tax exempt in the State of California.

AB 1054 permits issuance of up to \$10.5 billion of par amount. We are looking at a recommendation of \$2 billion at a minimum, but we like the option to potentially issue more. If we do, we prefer to minimize any kind of negative carry. We are working with the financial advisors and the Treasurer's Office as we analyze the options.

Rates are very low. During this unprecedented time of COVID-19, the markets for issuing municipal bond debt are eager for issuances and are willing to pay a very limited amount above what you would pay for a Treasury security.

Ms. Rossman asked about the interest rate – is there any price talk or ranges? Mr. Hanzel replied that it depends on the amount of issuance and the term of issuance. Some shorter-term repayments – three or three and a half years – could be at 80 basis points. Issuing a larger amount so that we need eight to ten years, could be up to 140 or 150 basis points. That is when you may start to see negative carry. At the full 15 years you are getting closer to potentially 200 basis points.

Mr. Hanzel listed the state agencies and outside parties engaged in the bond sale. Documents are close to being completed.

For the timeline, at the end of September the current surcharge will be turned off and as early as October 1 the Wildfire NBCs will be turned on. Around then we will be posting a preliminary offering statement, and a week or two later we will price the transaction. We will close it a week after that.

With the CEA acting as administrator, the budget process will line up with the CEA process. We are prudent and thoughtful about how we spend both CEA policyholder money and California Wildfire Fund money.

Mr. Hanzel showed the buckets of CEA direct hours worked that are allocated, as well as direct and indirect costs allocated to the Wildfire Fund.



In the coming months, the Wildfire Fund budget will be going through many iterations. The CEA budget will be presented to the CEA Governing Board in December, and in January the CWF budget will be presented to the CCRC.

The finance team will give monthly budgeting actuals and any kind of variances will be addressed. At this time next year, we will be looking at revisions and changes, and presenting them to the Council for review and feedback.

6. Update on Status of PG&E

Update by CEA CFO Tom Hanzel on the Wildfire Fund's receipt of approximately \$5 billion in capitalization from PG&E.

Mr. Hanzel stated that on July 1, 2020, CEA received roughly \$5 billion from PG&E as a final requirement that they had to make to be included and protected by the Wildfire Fund. They are now officially part of the Fund.

When CEA received those monies they worked on extending contracts with existing investment managers. They approved Blackrock as another potential investment manager when they went through a procurement process last June.

Of the \$5.008 billion, \$4 billion was allocated among the existing management team and \$1 billion was allocated to Blackrock. The remainder was available for expenses.

Mr. Hanzel gave the timeline of the process of investing PG&E's contribution as it commenced on July 1.

Mr. Hanzel showed charts of the portfolio on July 13 compared with June 30. We have basically doubled in size.

Questions and Comments

Mr. Martinez noted that he supported the previous remarks of Council members about checking into DWR's expenses. He asked about the investment policy strategy: when does CEA envision coming back to the Council? There have been a series of revisions made to the strategy. Mr. Hanzel answered that for the Wildfire Fund they do not anticipate any revisions. They are fairly close to the full Government Code section 16430 authorization and feel confident with the way it is structured. However, they will make it a living document to accommodate opportunities to help with the durability of the Fund; at such time they will engage the Council.

Mr. Martinez asked about the Wildfire Fund investment managers who oversee the portfolio. Do you strive for diversity in the ownership of the firms? Mr. Hanzel answered that they did as part of their outreach when they looked for additional managers last August; two firms fall into that category. As they receive additional inflows of funds, they have had discussions about another RFP at some point. At that time, they would continue to try to target asset managers who would fit into the diversity categories. It is on their radar.



7. Articles of Governance

Discussion and consideration of adoption of Articles of Governance to set out the roles and responsibilities of the Council and the Administrator.

(At this time Mr. Pomeroy took a moment to welcome new Council member Michael Wara.)

Mr. Pomeroy stated that the Articles of Governance were an outcome of the April meeting; they had decided to set these roles and responsibilities of the Council and the Administrator down on paper.

The Council sets the direction of the Wildfire Fund and establishes the policy, while the Administrator oversees the work of implementing it.

These Articles of Governance have been drafted and circulated among the Council. CEA has received individual comments back which have been incorporated into the final form. Mr. Pomeroy requested the Council to consider approving the document.

There was no public comment on the document.

MOTION: Mr. Rosenstiel motioned to approve the Articles of Governance. Ms. Rossman seconded. Motion carried unanimously.

(Mr. Cash asked if a roll call vote should be done rather than a voice vote. Mr. Welsh replied that the Governor's order suspending that piece of Bagley-Keene is not specific; it has essentially evolved as best practice to take a roll call vote, but is not an admonition in the order. If there had been No votes, we would identify who they were and make a clear record of everyone's vote.)

8. 2019-2020 Plan of Operations

Review and consideration of approval and adoption of the Plan of Operations and, if approved, authorization of the Administrator to deliver the Plan of Operations to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy.

Suman Tatapudy, CEA Senior Counsel, stated that California Public Utilities Code section 3283 requires the Council to direct the Administrator to prepare and present for approval an annual Plan of Operations. Ms. Tatapudy listed the required contents of the Plan.

Staff has prepared the document by referencing both the legislative history and other general information about AB 1054, and feels that the draft captures the information the Legislature would want to receive from the Administrator and the Council.

When the Plan of Operations is approved by the Council, the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on



Utilities and Energy will receive the document. It will also be posted to the Wildfire Fund website.

An initial draft of the document was circulated to Council members last week. Staff has accepted their comments and edits in a red-line draft and circulated it again to the Council.

For the benefit of the public, Ms. Tatapudy summarized that the first annual Plan of Operations covers the one-year period of July 12, 2019 (effective date of AB 1054, the creation of the Fund) to July 11, 2020. It includes all required statutory categories of information except a plan for winding up the Fund, as current projections do not show that the Fund will be exhausted within the next three years.

If the document is approved, CEA will submit the first annual Plan of Operations to the Legislature and take other steps to make it publicly available.

Comments and Discussion

Ms. Bando stated that she appreciated getting the copy last week for comments. Subsequently the Council was able to look at additional changes in the last 24 hours. She was satisfied that the document was sufficient.

MOTION: Ms. Bando motioned to approve the 2019-2020 Plan of Operations and to authorize the Administrator to take it to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy. Mr. Gordon seconded.

There was no public comment.

VOTE: The Motion carried unanimously.

9. Claims Administration

Update by Dr. Laurie Johnson, Chief Catastrophe Response & Resiliency Officer, CEA, on the status of CEA's preparation of post-event claims policies and procedures that will govern CEA's post-wildfire claims functions.

Dr. Johnson stated that staff would be seeking review and action on the Claims Administration Policy and Procedures at a future Council meeting.

She explained her responsibilities as Chief Catastrophe Response and Resiliency Officer:

- Development of the claims policy and procedures.
- Build out of the operational structure for Wildfire Fund claims administration.
- Claims settlement process.



- Oversight of post-earthquake claim handling by CEA participating insurers (PIs).
- Oversight of CEA and PI readiness.
- Oversight of CEA's organizational response to catastrophic events.

Dr. Johnson reviewed the claims payment and reimbursement sequence.

Guidance from AB 1054 and the Public Utilities Code state that the procedure process is to cover the review, approval, and timely funding of eligible claims. The role of the Fund is to make a determination about reasonable business judgment exercised by a utility in its decisions to pay claims. In addition, we are told to reimburse eligible claims within 45 days within the administrator's settlement approval. We are given some latitude to include processes that facilitate and expedite the review and approval of settled eligible claims. To the extent approved by the administrator, the settlement is not further reviewed by the Public Utilities Commission.

Guidance from AB 1054 and the Public Utilities Code defines "eligible claims" as those that exceed the \$1 billion threshold of the insurance coverage and resulted from a "covered wildfire." Subrogation claims are also defined, and all claims must meet the "reasonable business judgement standard." For an electric corporation subject to insolvency, the fund shall not pay more than 40% of the allowed amount of the claim arising between July 12, 2019 and the date the electric corporation exited bankruptcy.

Dr. Johnson explained a timeline of the development of the claims policies and procedures. Finalization is expected at the January CCRC meeting.

Questions and Comments

Mr. Rosenstiel asked if there is any urgency to having claims administration in place – would waiting until January create any problem in terms of the Administrator carrying out claims responsibilities? Dr. Johnson responded that the process with the Kincade Fire fault declaration with PG&E has just begun. We expect that timeline to go longer than what the claims procedure finalization would take. However, the statute puts us in a tighter box if we were to receive a request for reimbursement prior to the January timeframe. Dr. Johnson emphasized that this is the most public aspect of the Council, so we want to ensure that we offer opportunities for engagement in this process to stakeholders. Mr. Rosenstiel agreed that we need to take the time to get this claims process right – there are many people who have a lot of interest in how we do this and we need to develop a process that people trust.

10. General Discussion

Discussion and general direction to the Administrator regarding the following:



- a) **Development of a process for annual evaluations of the performance of the Wildfire Fund Administrator**
- b) **Protocols for Council Members who receive speaking engagement requests regarding the work of the Council in general or the Wildfire Fund in particular**
- c) **The Council's interest in receiving periodic presentations at future Council meetings from subject matter experts on various topics relevant to the Wildfire Fund**

Regarding point a), Mr. Pomeroy stated that the process for evaluating the Administrator could be basically the same as that used for the CEA CEO. A subcommittee could be appointed to work with the Administrator to rough out a proposed evaluation, to be brought to the next Council meeting.

He listed the categories upon which to evaluate the Administrator.

He requested feedback from the Council on the suggested process.

Ms. Rossman commented that another way to perform the evaluation is to have the Chair or Vice-Chair call each member individually, then relate what everyone has communicated to that person. She added that in the corporate sector, they evaluate themselves as a governing body.

Ms. O'Connor asked if the Chair having one-on-one meetings with Council members would be a violation of Bagley-Keene. Mr. Welsh stated that there are provisions in Bagley-Keene that allow the formation of subcommittees to do a portion of a state body's work. The Council could formulate what makes the most sense to them, and staff counsel could provide guidance on how that might be accomplished in a way that is compliant. Individual discussions do not necessarily comprise a serial meeting. Ms. O'Connor suggested that the Council could come up with a list of questions for the Chair or Vice-Chair to ask to gain the Council members' feedback, which would then be compiled.

Mr. Rosenstiel commented that he had served on the CalSTRS Board, and those members were able to have private conversations regarding work evaluation with outside entities with whom they had contracts. He added that Council members could volunteer to participate in a subcommittee – it would not have to be comprised of the Chair and Vice-Chair.

Mr. Martinez liked that idea – it would provide opportunity for rotation, and this important responsibility would not always fall on one or two individuals each year. He considered it important for everyone to provide input. He requested an additional layer of metrics to evaluate, objectively and quantitatively, the effectiveness of the claims process.

Mr. Pomeroy responded to the feedback: in October staff will come back with a framework that would include the Chair appointing a subcommittee of two to



work with the Administrator between October and January to develop an evaluation process that may include metrics.

Regarding point **b)**, Mr. Welsh explained that shortly after AB 1054 passed and some members of the Council were identified, they received requests to speak or take meetings. He asked the Council how they want to deal with such requests. There is no obligation to create protocols or understandings. However, there are some legal considerations that would be prudent to think about:

- The Council acts as a body in public meetings in which a majority agree on the position or action.
- The three investor-owned utilities participating in the Fund are all publicly traded companies whose representatives are listening to the meetings so that they can prepare 10Ks and 10Qs, to the extent that any information about their participation in the Fund is relevant to their stockholders and investors.

Accordingly, Council members taking a meeting or speaking engagement should mention that they are present in an individual capacity.

In addition, Council members should avoid talking about individual IOUs. Those administering the Fund are careful to provide uniform feedback and information to the IOUs.

Mr. Martinez commented that he and the Insurance Commissioner had received requests from Wall Street market analysts, prospective and current contractors, the IOUs, panel organizers, and media and the press. He agreed on the need for the Council members to be on the same page in how to tackle these requests; there may be different approaches to be used with the various stakeholder communities. He would be interested in a Council policy or guidelines that we could look to.

Mr. Gordon supported those comments. Having general guidelines would be helpful for when Council members receive requests. Mr. Welsh stated that staff would be happy to prepare general guidelines and admonitions for the Council to consider at the next meeting.

Regarding point **c)**, Mr. Pomeroy asked if the Council members would like to reserve 10-15 minutes during meetings to hear from subject matter experts on relevant topics.

Ms. Bando felt that it would be very beneficial for her to learn more about mitigation measures, the claims process, and so on.

Mr. Gordon commented that we could experiment with this and see how we feel about it over time. He suggested that Mr. Pomeroy could send out the list of topics displayed on the PowerPoint and have the members prioritize the ones they are interested in.



Ms. O'Connor agreed; she would very much like to hear from subject matter experts from outside the Council. It would bring fresh vantage points and perspectives. She was interested in hearing about CAT modeling and wildfire modeling as well as bonds, investment policies, and best practices, in order to better understand the structuring.

Mr. Pomeroy responded that staff would look for a topic and a presenter for the October meeting so the Council could try it. As we try to keep meetings to a two-hour timeframe, it would still be possible to add this item to the agendas.

10. Public Comment

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

There was no public comment.

11. Adjournment

There being no further business, Chair Ghilarducci adjourned the meeting at 3:55 p.m.



California Catastrophe Response Council Memorandum

October 22, 2020

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

October 22, 2020

Agenda Item 4: Investor-Owned Utilities Mitigation Activities

Recommended Action: No action required—information only

Representatives from San Diego Gas & Electric, Pacific Gas & Electric, and Southern California Edison, the investor-owned utilities, will provide the California Catastrophe Response Council with a presentation regarding their wildfire mitigation activities.



California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 5: 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 December 31, 2019 and August 31, 2020.



FINANCIAL REPORT

August 31, 2020

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Financial Statements

**California Wildfire Fund
Balance Sheets**

	August 31, 2020	December 31, 2019
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 847,675,840	\$ 170,912,277
Investments	9,050,973,721	4,599,954,544
Total cash and investments	9,898,649,561	4,770,866,821
Interest receivable	34,803,295	17,942,466
Prepaid reinsurance premium	54,000	162,000
Total assets	\$ 9,933,506,856	\$ 4,788,971,287
Liabilities and Net Position		
Accounts payable and accrued expenses	\$ 1,185,387	\$ 667,651
Related party payable - CEA	190,722	736,882
Securities payable	35,055,048	447,511
SMIF loan interest payable	7,961,748	11,814,207
Total liabilities	44,392,905	13,666,251
Net position:		
Unrestricted	9,889,113,951	4,775,305,036
Total net position	9,889,113,951	4,775,305,036
Total liabilities and net position	\$ 9,933,506,856	\$ 4,788,971,287

Unaudited

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

	Eight Months Ended August 31, 2020	Six Months Ended December 31, 2019
Additions:		
Utility contributions	\$ 5,007,600,000	\$ 2,792,400,000
SMIF loan proceeds	-	2,000,000,000
Total contributions	5,007,600,000	4,792,400,000
Investment income & expenses	48,886,563	25,173,641
Unrealized gain/(loss)	116,952,553	(9,809,764)
Net investment income	165,839,116	15,363,877
Other income	-	8,330
Additions to Fund Assets	5,173,439,116	4,807,772,207
Operating expenses		
Reinsurance expenses	26,208,000	13,104,000
Reinsurance broker commissions	432,000	412,000
SMIF loan interest expense	31,333,333	17,849,726
Personnel expenses	811,491	582,177
General and administrative expenses	845,377	519,268
Total operating expenses	59,630,201	32,467,171
Increase in net position	5,113,808,915	4,775,305,036
Net position, beginning of year	4,775,305,036	-
Net position, end of year to date	\$ 9,889,113,951	\$ 4,775,305,036

Contributions Received

**California Wildfire Fund
Contributions Received
As of October 22, 2020**

Description	Date Received	Amount
1. SMIF Loan Proceeds	8/15/2019	\$ 2,000,000,000
2. SDG&E initial capital contribution	9/9/2019	322,500,000
3. SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
4. SDG&E 2019 annual contribution	12/19/2019	12,900,000
5. SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
6. PG&E initial capital contribution	7/1/2020	4,815,000,000
7. PG&E 2019 annual contribution	7/1/2020	<u>192,600,000</u>
	Total	<u><u>\$ 9,800,000,000</u></u>

Personnel and G&A Expenses

**California Wildfire Fund
Operating Expenses**

Personnel expenses

Description	Eight Months Ended August 31, 2020	Six Months Ended December 31, 2019	Total
1. Amounts allocated from CEA employee time	\$ 639,205	\$ 438,067	\$ 1,077,272
2. Direct expenses from CWF temps	172,286	144,110	316,396
Total Personnel expenses	811,491	582,177	1,393,668

General and administrative expenses

1. Travel	6,407	3,934	10,341
2. Office Rent, Parking, and Maint	35,627	22,032	57,659
3. Equipment, Hardware, and Software expense	54,547	66,329	120,876
4. Office Supplies	915	959	1,874
5. Telecom Expense	6,268	4,679	10,947
6. Consulting - Financial Services	402,958	170,242	573,200
7. Outside Legal Expense	215,269	170,780	386,049
8. IT Services	9,372	28,818	38,190
9. Bank Fees	102,039	45,079	147,118
10. RFQ Expense	-	5,500	5,500
11. Audit Fees	6,732	-	6,732
12. Wildfire Risk Training Conference	4,185	-	4,185
13. Misc Expense	1,058	916	1,974
Total G&A expenses	845,377	519,268	1,364,645
Total Operating Expenses	\$ 1,656,868	\$ 1,101,445	\$ 2,758,313

Investment Analysis

**California Wildfire Fund
Investment Analysis
8/31/2020**

California Wildfire Fund Investment Analysis												
Amount (as of August 31, 2020)			Yields		Total Return (Gross of Fees)			Income Return (Net of Fees)			Effective Duration (Years)	Actual Mark-to-Market (\$000's)**
	Par Value (\$000's)*	Market Value (\$000's)	Yield At Acquisition	Yield To Maturity	1-Month (August)	1-Month Prior (July)	3-Month	1-Month (August)	1-Month Prior (July)	3-Month	Aug. 2020	Aug. 2020
All Funds Total	\$9,379,081	\$9,782,347	0.96%	0.44%	-0.185%	0.216%	0.072%	0.121%	0.102%	0.334%	3.40	105,767

**California Wildfire Fund
Investment Analysis
12/31/2019**

California Wildfire Fund Investment Analysis												
Amount (as of December 31, 2019)			Yields		Total Return (Gross of Fees)			Income Return (Net of Fees)			Effective Duration (Years)	Actual Mark-to-Market (\$000's)**
	Par Value (\$000's)*	Market Value (\$000's)	Yield At Acquisition	Yield To Maturity	1-Month (December)	1-Month Prior (November)	3-Month	1-Month (December)	1-Month Prior (November)	3-Month	Dec. 2019	Dec. 2019
All Funds Total	\$4,699,968	\$4,744,102	1.60%	1.60%	0.130%	-0.048%	0.361%	0.139%	0.128%	0.395%	2.09	(9,811)

Notes:

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

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

Cost Allocation

California Wildfire Fund

Cost Allocation Methodology and Calculation for the Eight Months Ended August 31, 2020 and for the Six Months Ended December 31, 2019
08/31/2020

Note 1: Cost Allocation Approach

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

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

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

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

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

Note 2: Direct and Indirect Costs

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

The following hours were captured and the CEA applied each employees hourly rate + the predetermined burden rate to come up with the direct labor charge for the CWF for the Eight Months Ended Aug'20 and for the Six Months Ended Dec'19.

Department	8 months ended Aug'20		6 months ended Dec'19		CWF Salary & Benefit costs =	Aug'20	Dec'19
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	326.5	20,470	81.6	5,790		621,359 A	438,067
2. Exec	441.7	105,417	217.9	48,680	CEA Salary & Benefit costs =	17,643,772 B	13,506,594
3. Finance	2,134.9	247,877	1,588.2	204,993		18,265,131 C	13,944,661
4. IT	12.5	1,087	294.0	37,078			
5. Internal Ops	71.5	4,976	298.3	39,973	Allocation % =	3.40% = A/C	3.14%
6. Insurance Ops	92.3	17,203	-	-			
7. Legal	1,530.1	224,329	591.4	101,553			
Total Direct Hours/Costs	4,609.5	621,359	3,071.3	438,067			

All other indirect costs were allocated to the CWF based on the 3.40% 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	30,713	19,882
Rent-Office Equip/Furniture	86450-16	2,556	1,715
Building Maintenance and Repairs	86475-16	2,357	435
EDP Hardware <5000	86505-16	4,156	17,050
EDP Software <5000	86506-16	36,172	1,421
Furniture/Equipment <\$5000	86500-16	413	73
Office Supplies	86510-16	912	859
Postage	86530-16	3	30
HR and IT staff allocation	85101-16	18,047	-
Telecommunications	86550-16	6,268	4,629
IT Services	88195-16	4,944	12,700
Total Indirect Costs		106,541	58,793
Total Costs		727,900	496,860



California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 6: Public Utilities Code section 3287 Annual Report & Summary

Recommended Action: Review and consider approval and adoption of January 1, 2021 Public Utilities Code section 3287 Annual Report and Summary; and, if approved, authorize the Administrator to submit the same to the Legislature and the Department of Finance in compliance with Government Code section 9795.

Assembly Bill 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019) established two annual legislative reports concerning the Wildfire Fund.

- **Plan of Operations:** Public Utilities Code section 3283 requires the preparation of an annual report, referred to in the statute as the Fund's "Plan of Operations," reporting on the operation, management, and administration of the Fund. The Plan of Operations reports on Fund assets, projections for the durability of the Fund, the success of the Fund, and whether or not the Fund is serving its purpose. The statute further requires the Plan of Operations to be filed with the relevant policy committees of the Legislature. At its July 23, 2020 meeting, the California Catastrophe Response Council ("Council") approved the Plan of Operations covering the Fund's first year in existence (July 12, 2019 to July 11, 2020). The report was filed with the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy on September 2, 2020.
- **Section 3287 Annual Report:** Public Utilities Code section 3287 requires the Council, beginning on January 1, 2021, and annually thereafter, with the assistance of the Wildfire Fund Administrator ("Administrator"), to prepare and file with the Legislature and the Department of Finance periodic reports regarding the formation, administration, and disposition of the Wildfire Fund, as the Council deems appropriate. These reports must be filed in compliance with section 9795 of the Government Code.



The topics to be covered in the two statutory reports mandated by AB 1054 are substantially similar, and the Plan of Operations covers all of the information required in the Section 3287 Annual Report. As there has been no material change to the Wildfire Fund since the period covering the first Plan of Operations, the Administrator recommends the Council submit to the Legislature and the Department of Finance a copy of the first Plan of Operations, along with the statutorily required summary, which has been drafted in compliance with Government Code section 9795, in satisfaction of its obligation under Public Utilities Code section 3287.

There are three attachments to this memorandum. The first shows a redline comparing the draft version of the summary circulated to Council members on October 8, 2020 to the revised version incorporating feedback from Council members. The second is a clean copy of the summary incorporating Council member feedback that the Administrator presents to the Council for further review and adoption. The third is a copy of the 2019 – 2020 Plan of Operations.

Following are California Public Utilities Code section 3287 and Government Code section 9795 for the Council's review.

California Public Utilities Code § 3287:

(a) On January 1, 2021, and annually thereafter, the council, with the assistance of the administrator, shall prepare and file with the Legislature and the Department of Finance periodic reports regarding the formation, administration, and disposition of the fund, as the council deems appropriate.

(b) A report submitted to the Legislature pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.

Government Code § 9795:

(a) (1) (A) Any report required or requested by law to be submitted by a state or local agency to the Members of either house of the Legislature generally, shall instead be submitted



as a printed copy to the Secretary of the Senate, as an electronic copy to the Chief Clerk of the Assembly, and as an electronic or printed copy to the Legislative Counsel. Each report shall include a summary of its contents, not to exceed one page in length. If the report is submitted by a state agency, that agency shall also provide an electronic copy of the summary directly to each member of the appropriate house or houses of the Legislature. Notice of receipt of the report shall also be recorded in the journal of the appropriate house or houses of the Legislature by the secretary or clerk of that house.

(B) Notwithstanding subparagraph (A), reports of the State Bar of California may be submitted electronically to the Secretary of the Senate.

(2) In addition to and as part of the information made available to the public in electronic form pursuant to Section 10248, the Legislative Counsel shall make available a list of the reports submitted by state and local agencies, as specified in paragraph (1). If the Legislative Counsel receives a request from a member of the public for a report contained in the list, the Legislative Counsel is not required to provide a copy of the report and may refer the requester to the state or local agency, as the case may be, that authored the report, or to the California State Library as the final repository of public information.

(b) No report shall be distributed to a Member of the Legislature unless specifically requested by that Member.

(c) Compliance with subdivision (a) shall be deemed to be full compliance with subdivision (c) of Section 10242.5.

(d) A state agency report and summary subject to this section shall include an Internet Web site where the report can be downloaded and telephone number to call to order a hard



copy of the report. A report submitted by a state agency subject to this section shall also be posted at the agency's Internet Web site.

(e) For purposes of this section, "report" includes any study or audit.



CALIFORNIA CATASTROPHE RESPONSE COUNCIL (“COUNCIL”)

REPORT TO THE LEGISLATURE AND DEPARTMENT OF FINANCE ON THE FORMATION, ADMINISTRATION, AND DISPOSITION OF THE WILDFIRE FUND (“FUND”)

January 1, 2021

[Prepared pursuant to Pub. Utilities Code § 3287,
in conformance with Gov’t. Code § 9795(a)(1)]

Assembly Bill 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019) established two annual legislative reports concerning the Fund.

- **Plan of Operations:** Public Utilities Code section 3283 requires the preparation of an annual report, referred to in the statute as the Fund’s “Plan of Operations,” reporting on the operation, management, and administration of the Fund. The Plan of Operations reports on Fund assets, projections for the durability of the Fund, the success of the Fund, and whether or not the Fund is serving its purpose. The statute further requires the Plan of Operations to be filed with the relevant policy committees of the Legislature. At its July 23, 2020 meeting, the Council approved the Plan of Operations covering the Fund’s first year in existence (July 12, 2019 to July 11, 2020). The report was filed with the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy on September 2, 2020.
- **Section 3287 Annual Report:** Public Utilities Code section 3287 requires the Council, beginning on January 1, 2021, and annually thereafter, to order the preparation of a second report to the entire Legislature and the Department of Finance (“Section 3287 Annual Report”), similarly reporting on the formation, administration, and disposition of the Fund, as the Council deems appropriate. The Section 3287 Annual Report must be submitted to the Legislature in compliance with Government Code section 9795.

The topics to be covered in the two statutory reports are substantially similar, and the Plan of Operations covers all the information required in the Section 3287 Annual Report. Accordingly, as there has been no material change to the Fund since the period covered in the first Plan of Operations, the Council hereby submits a copy of the first Plan of Operations in satisfaction of its obligation to submit a Section 3287 Annual Report. An electronic copy of this report is available for download at <https://www.cawildfirefund.com/annual-legislative-report>. Hard copies may be requested by calling (888) 423-2322.



CALIFORNIA CATASTROPHE RESPONSE COUNCIL (“COUNCIL”)

REPORT TO THE LEGISLATURE AND DEPARTMENT OF FINANCE ON THE FORMATION, ADMINISTRATION, AND DISPOSITION OF THE WILDFIRE FUND (“FUND”)

January 1, 2021

[Prepared pursuant to Pub. Utilities Code § 3287,
in conformance with Gov’t. Code § 9795(a)(1)]

Assembly Bill 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019) established two annual legislative reports concerning the Fund.

- **Plan of Operations:** Public Utilities Code section 3283 requires the preparation of an annual report, referred to in the statute as the Fund’s “Plan of Operations,” reporting on the operation, management, and administration of the Fund. The Plan of Operations reports on Fund assets, projections for the durability of the Fund, the success of the Fund, and whether or not the Fund is serving its purpose. The statute further requires the Plan of Operations to be filed with the relevant policy committees of the Legislature. At its July 23, 2020 meeting, the Council approved the Plan of Operations covering the Fund’s first year in existence (July 12, 2019 to July 11, 2020). The report was filed with the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy on September 2, 2020.
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The topics to be covered in the two statutory reports are substantially similar, and the Plan of Operations covers all the information required in the Section 3287 Annual Report. Accordingly, as there has been no material change to the Fund since the period covered in the first Plan of Operations, the Council hereby submits a copy of the first Plan of Operations in satisfaction of its obligation to submit a Section 3287 Annual Report. An electronic copy of this report is available for download at <https://www.cawildfirefund.com/annual-legislative-report>. Hard copies may be requested by calling (888) 423-2322.



2020 Annual Report

to the California Catastrophe Response Council
and the Legislature on Wildfire Fund Operations



Wildfire Fund
Administrator

July 23, 2020

Pursuant to California Public Utilities Code section 3283, this annual report on Wildfire Fund operations has been prepared by the California Earthquake Authority in its capacity as the Wildfire Fund Administrator, approved by the California Catastrophe Response Council, and is hereby presented to the following committees of the California State Legislature:

**Senate Energy, Utilities and
Communications Committee**

The Honorable Ben Hueso, Chair
California State Senate
State Capitol, Room 4035
Sacramento, California 95814

**Assembly Utilities and
Energy Committee**

The Honorable Chris R. Holden, Chair
California State Assembly
State Capitol, Room 5132
Sacramento, California 95814



WILDFIRE FUND ADMINISTRATOR

*ANNUAL REPORT to the
CALIFORNIA CATASTROPHE RESPONSE COUNCIL
and the
LEGISLATURE on WILDFIRE FUND OPERATIONS*

Report Period: July 12, 2019 – July 11, 2020
(Pursuant to Public Utilities Code section 3283)

Date of Report: July 23, 2020

Pursuant to Public Utilities Code section 3283, this annual report on Wildfire Fund operations (“Annual Report”) was prepared by the Wildfire Fund Administrator (“Administrator”) and is presented to the Legislature at the direction of the California Catastrophe Response Council (“Council”).¹ In accordance with that statute, this Annual Report includes information on Wildfire Fund (“Fund”) assets, projections for the durability of the Fund, the success of the Fund, and whether or not the Fund is serving its purpose.

The information in this first Annual Report covers the one-year period of July 12, 2019—the effective date of Assembly Bill (“AB”) 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019) and AB 111 (Committee on Budget, Chapter 81, Statutes of 2019), and thus the creation date of the Wildfire Fund—through July 11, 2020.

¹The Annual Report satisfies the Council’s and Administrator’s statutory duty to annually report to the Legislature on the Wildfire Fund’s “Plan of Operations” as specified in Public Utilities Code section 3283.

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Executive Summary

On July 12, 2019, Governor Gavin Newsom signed Assembly Bill (“AB”) 1054 and AB 111 (collectively, the “2019 Wildfire Legislation”).² The 2019 Wildfire Legislation enacts a broad set of reforms and programs related to utility-caused wildfires in California, including establishing the Wildfire Fund (“Fund”).

The purpose of the Fund is to provide a source of money to reimburse eligible claims arising from a covered wildfire caused by a utility company that participates in the Fund by assisting in capitalizing the Fund, and undertaking certain other obligations specified in the law.

Oversight of the administration of the Fund is the responsibility of the California Catastrophe Response Council (“Council”), created under AB 111. The Council has nine members, consisting of the Governor, the Insurance Commissioner, the Treasurer, and the Secretary for Natural Resources, each of whom may appoint designees to attend Council meetings in their place, as well as one member appointed by the Senate Committee on Rules, one member appointed by the Speaker of the Assembly, and three members of the public appointed by the Governor.

I. Fund Assets

The 2019 Wildfire Legislation created a capitalization structure that establishes multiple revenue streams flowing into the Fund to provide approximately \$21 billion in claim-paying capacity to cover claims arising from covered wildfires. The \$21 billion in claim-paying capacity is split between contributions from the Fund’s participating investor-owned utility companies (“IOUs”)—San Diego Gas & Electric Company (“SDG&E”), Southern California Edison (“SCE”) and Pacific Gas & Electric Company (“PG&E”) (collectively, “the IOUs”)—and surcharges on the IOUs’ non-exempt ratepayers, which are also referred to as Wildfire Nonbypassable Charges (“NBCs”). The contributions from the IOUs are not passed through to their ratepayers, so are effectively funded by the stockholders of those publicly traded IOUs. The 2019 Wildfire Legislation also required that the Fund be initially capitalized in the form of a short-term \$2 billion loan from the State of California’s Surplus Money Investment Fund (“SMIF”), a fund within the State’s Pooled Money Investment Account. As of July 11, 2020, SDG&E, SCE, and PG&E have all provided their initial and first annual financial contributions. The IOU contributions combined with the SMIF loan total \$9.8 billion. In addition, California Public Utilities Commission (“CPUC”) Decision 19-10-056 operationalized the collection of the NBCs. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue additional debt backed by the NBCs. Additional detail regarding the Fund’s contributions as of July 11, 2020, and audited financials as of December 31, 2019, can be found in [Section I: Fund Assets](#) on page 4.

²AB 1054 was subsequently amended by AB 1513 (Holden, Chapter 396, Statutes of 2019).

II. Projections for the Durability of the Fund

Durability is a probability measure expressing the likelihood that the Fund will have sufficient funds to pay eligible claims each year, over a number of years. The Administrator relies on catastrophe-loss model output from the AIR Worldwide Touchstone 7 model as a starting point for measuring the distribution of eligible claims to the Fund. The California Earthquake Authority (“CEA”), as Administrator, has engaged both Filsinger Energy Partners (“Filsinger”) and Guy Carpenter & Company (“Guy Carpenter”), a global reinsurance broker, and has worked with them to make further refinements to the models to aid CEA in monitoring Fund durability and exposure to losses. The Administrator also uses the historical total losses to create an alternate “high risk” view. Additional detail regarding the test scenarios and durability analysis can be found in [Section II: Projections for the Durability of the Fund](#) on page 6.

III. The Success of the Fund

Assessing the success of the Fund during its first full year in existence requires examination of (1) the start-up process undertaken to operationalize and capitalize the Fund; (2) the establishment of the required infrastructure for administration and oversight of the Fund; and (3) whether the Fund had sufficient claim-paying capacity to cover any incurred or anticipated claims from the 2019 wildfire season.

(1) Start-up and Operationalization of the Fund

The Council and Administrator have taken all necessary actions to establish and operationalize the Fund. Immediately upon the effective date of the 2019 Wildfire Legislation, CEA was designated as the Interim Administrator of the Fund. Prior to the activation of the Council, the duties and responsibilities of the Council to oversee CEA’s activities were vested in CEA’s Governing Board (consisting of the Governor, the Insurance Commissioner, and the Treasurer, with ex officio members appointed by the Speaker of the Assembly and the Chair of the Senate Rules Committee). As Interim Administrator, CEA quickly established the required financial infrastructure (e.g., trust accounts, investment advisors, investment policies, asset managers, and financial and accounting systems) to allow for receipt of the more than \$4.6 billion transferred to the Fund only weeks after the 2019 Wildfire Legislation was signed into law. The CEA Governing Board also approved CEA’s activities to procure a reinsurance intermediary for risk transfer services, and to develop and implement risk transfer guidelines and a risk transfer strategy to protect the Fund during the looming 2019 wildfire season. It is important to note that the Fund was “on risk” immediately upon the Governor’s signature of AB 1054.

(2) Establishment of the Council and Appointment of the Administrator

The Council was successfully activated in October 2019 and currently has a full roster of active members. The Council met twice during the report period: January 16, 2020, and April 23, 2020. The Council is scheduled to meet on

July 23, 2020, and October 22, 2020. Details of these future meetings will be included in the second Annual Report. All publicly noticed meeting agendas and materials, along with past meeting materials, are available at this website: cawildfirefund.com/council.

(3) Claims Summary

During the report period, no claims were made by any of the IOUs on the Fund. However, see below in [Section IV](#) on page 13 of this report, for a summary of the 2019 Kincadee fire, which still has the potential to give rise to a claim on the Fund.

IV. Whether or Not the Fund Is Serving Its Purpose

During its first year of existence, the Fund furthered its statutorily defined goals to benefit ratepayers by its impact on IOUs' credit ratings, the participation of PG&E in the Fund, and the Administrator's experience with the 2019 wildfire season and associated impacts on the Fund.

- **IOU Credit Ratings**

Since the formation of the Fund, and the receipt of initial financial contributions from SCE and SDG&E, both IOUs have experienced rating stabilizations. Though the actual ratings have not changed, both IOUs' ratings outlooks have moved in a positive direction.

- **Participation of PG&E in the Fund**

On July 1, 2020, PG&E made its initial and first annual financial contribution to the Fund. This satisfied the final remaining statutory requirement for PG&E to be included in and protected by the Fund. As we enter the 2020 wildfire season, the Fund is available to respond to covered wildfires caused by any of the three large IOUs—PG&E, SDG&E, and SCE.

- **The 2019 Wildfire Season**

The work the Administrator and Council have performed over the past year to operationalize the Fund puts the Administrator in a ready position to be able to discharge its statutory duties related to paying claims for covered wildfires. And while, to date, no IOU has made any claims on the Fund, the Administrator is aware that on July 16, 2020, the California Department of Forestry and Fire Protection (CAL FIRE) determined that the Kincadee fire was caused by electrical transmission lines owned and operated by PG&E. Should PG&E in the future seek reimbursement from the Fund for claims incurred during the 2019 wildfire season, including as a result of the Kincadee fire, the Administrator will reimburse those claims consistent with Public Utilities Code section 3292(e) and will report to the Legislature in a future Annual Report.

2020 Annual Report

I. Fund Assets

Public Utilities Code section 3280 defines “Wildfire Fund assets” as “the sum of all moneys and invested assets held in the fund which shall include, without limitation, any loans or other investments made by the state to the fund, all interest or other income from the investment of money held in the fund, any other funds specifically designated for the fund by applicable law, and the proceeds of any special charge (or continuation of existing charge) allocated to and deposited into the fund, reinsurance, and the proceeds of any bonds issue for the benefit of the fund.”

As the Administrator, CEA is custodian of the Fund’s cash and investments. This requires CEA to report those held assets as a segregated custodial fund in CEA’s financial statements. Detailed information relevant to the Fund can be found in CEA’s 2019 audited financial statements, available at this website: EarthquakeAuthority.com/About-CEA/Financials/Financial-Statements. Following are excerpts of that financial information, which covers calendar year 2019, along with supplemental unaudited information related to the Fund’s contributions received through July 11, 2020.

CALIFORNIA EARTHQUAKE AUTHORITY	
Statement of Fiduciary Net Position – Fiduciary Funds of California Wildfire Fund As of December 31, 2019	
	<u>Custodial Funds</u>
Assets	
Cash and investments:	
Cash and cash equivalents	\$ 170,912,277
Investments	4,599,954,544
Total assets	<u>\$ 4,770,866,821</u>
Liabilities and Net Position	
Liabilities	
Securities payable	\$447,511
Net position:	
Restricted for CWF	<u>4,770,419,310</u>
Total liabilities and net position	<u>\$ 4,770,866,821</u>

CALIFORNIA EARTHQUAKE AUTHORITY	
Statement of Changes in Fiduciary Net Position – Fiduciary Funds of California Wildfire Fund For the Period from Inception of July 12, 2019 to December 31, 2019	
	<u>Custodial Funds</u>
Additions:	
Deposits from CWF	\$ 4,789,829,741
Deductions:	
Withdrawals by CWF	19,410,431
Increase in net position	4,770,419,310
Net position, at inception	–
Net position, end of year	<u>\$ 4,770,419,310</u>

The 2019 Wildfire Legislation created a capitalization structure that ultimately will result in a total claim-paying capacity for the Fund of approximately \$21 billion. As noted above, the approximately \$21 billion in claim-paying capacity is generated from two revenue streams: surcharges on ratepayers of IOUs and contributions from the equity base of the IOUs. The 2019 Wildfire Legislation also required that the Fund be initially capitalized in the form of a short-term \$2 billion loan from the SMIF, a fund within the State's Pooled Money Investment Account.

The 2019 Wildfire Legislation authorizes the Department of Water Resources ("DWR") to receive from the IOUs collections by the IOUs from their non-exempt ratepayers of NBCs to support the Fund. The 2019 Wildfire Legislation also authorized DWR to issue revenue bonds ("Wildfire Revenue Bonds") after the legacy Power Supply Revenue Bonds have been paid or defeased in full to support the Fund. The NBCs are to be imposed by the CPUC on approximately 11.5 million customers in the service areas of the participating IOUs.

CPUC Decision 19-10-056 adopted the Rate Agreement between DWR and the CPUC, established an "irrevocable financing order" under the CPUC code, and calculated the annual revenue requirement of \$902.4 million to be collected through NBCs that shall remain in effect until January 1, 2036. NBCs will be used to secure Wildfire Revenue Bonds; NBCs in excess of those required to pay the Wildfire Revenue Bonds, replenish any bond-related reserves, and pay DWR administrative and operating expenses will be deposited in the Fund. Once deposited in the Fund, NBCs are no longer available to pay debt service on the Wildfire Revenue Bonds. The NBCs build upon the long and successful history of the collection of similar bond charges under the DWR Power Supply Revenue Bond Program through several economic cycles and two PG&E bankruptcies dating back to 2002.

The Administrator is working with DWR, the State Treasurer’s Office, the Department of Finance, the CPUC, municipal advisors, underwriters, and law firms to prepare for the issuance of bonds by DWR, backed by a pledge of the NBCs as described above.

During 2019, the Fund received \$2,792,400,000 in contributions from two of the IOUs—SCE and SDG&E. And, in early July 2020, the Fund received a contribution from PG&E following its emergence from bankruptcy. As the table below shows, as of July 11, 2020, the Fund had received \$9.8 billion in capitalization. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue additional debt backed by the NBCs.

CALIFORNIA WILDFIRE FUND		
Contributions received schedule from inception through 07/11/2020		
Description	Date Received	Amount
1. SMIF Loan Proceeds	8/15/2019	\$ 2,000,000,000
2. SDG&E initial capital contribution	9/9/2019	322,500,000
3. SCE initial capital contribution	9/9/2019	2,362,500,000
4. SDG&E 2019 annual contribution	12/19/2019	12,900,000
5. SCE 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
		\$ 9,800,000,000

The 2019 Wildfire Legislation also requires that all costs and expenses related to the administration and operation of the Fund be paid from the assets of the Fund. Because CEA is now obligated to administer two separate and segregated funds—the Earthquake Authority Fund and the Wildfire Fund—and is using its operating assets and employees for the benefit of both funds, CEA developed and implemented a cost-allocation methodology to ensure that each of those funds bears its own administration expenses.

II. Projections for the Durability of the Fund

The stated legislative intent and language of the 2019 Wildfire Legislation requires that the Fund be administered to maximize its durability so that it provides protection and claim-paying resources to the IOUs while they continue to invest in safety measures designed to reduce the frequency and severity of utility-caused wildfires. For example, Public Utilities Code section 3281(e) authorizes the Administrator, subject to the oversight of the Council, to “buy insurance or take other actions to maximize the claims paying resources of the fund.” Additionally, the Council and Administrator are specifically required to report at least annually to the Legislature on the projected durability of the Fund.

“Durability” Defined

Durability is a probability measure expressing the likelihood that the Fund will have sufficient funds to pay eligible claims each year, over a number of years. For example, if Fund durability is 90% at 2035, that would mean there would be a 90% probability that the Fund will have endured to 2035, while paying eligible claims as and when they arise. Conversely, there would be a 10% chance that the Fund would not have had sufficient funds to pay all eligible claims arising during that time period. Durability is a cumulative measure and is expected to decline over any specific number of years as money is periodically drawn from the Fund to pay eligible claims.

Dependencies/Key Factors Influencing Durability

At its simplest, durability depends on the amount of losses flowing to the Fund and the amount of money the Fund has, or will have, to pay eligible losses. Larger, more frequent losses potentially exhaust the Fund more quickly. The larger the amount of available Fund resources to pay losses (initial capital; investment income; risk transfer, if any; and available ratepayer funds), the longer the Fund will remain in a position to pay losses.

The key factors influencing durability are:

- The dollar amount of wildfire losses;
- A determination of prudence;
- The subrogation settlement rate;
- Successful mitigation measures;
- Climate change;
- Exposure growth, which is the increase in the value of the property at risk for wildfire damage; and
- Funding.

Estimating Fund Losses — Catastrophe-Loss Models

Using catastrophe-loss models to assess the loss potential from hurricanes and earthquakes has been commonplace in the insurance industry for underwriting risk and understanding loss potential since the early 1990s. Catastrophe-loss models are also used for assessing risk at the local, state, and national levels and for emergency planning scenarios. In contrast, catastrophe-loss models for wildfire risk are relatively new, have not been widely tested in the market, and have significant differences in the approaches used and the modeled results from one model to the next. Nevertheless, the models can be useful in developing a range of potential wildfire losses. The Administrator relies on catastrophe-loss model output from the AIR Worldwide Touchstone 7 model as a starting point for measuring the potential distribution of eligible claims to the Fund. The Administrator also considers historical losses potentially attributable to IOUs in assessing durability.

Modeling wildfire risk is a complex process. The AIR model considers such factors as ignition, fuel and fuel characteristics, terrain, wind, land use and land cover, wildland-urban interface, and building and construction materials. The output from Touchstone 7 includes individual event scenario losses that can be accumulated and ranked to form a distribution of loss by size of loss. Losses from the AIR model are specific to insurable property losses only. Additionally, the AIR model does not consider who is responsible for causing a wildfire. Therefore, modeled losses are attributed to the IOU as part of the financial modeling, which is described below. Modeled losses are also scaled up as needed to reflect total wildfire losses. There are multiple sources of uncertainty in assessing the amount and frequency of eligible claims flowing to the Fund. It must be recognized that actual losses to the Fund will vary, perhaps significantly, from the modeled losses.

Financial Models

Because the Fund is a complex mechanism dependent on largely uncertain events, a typical best-case/worst-case/expected-case type of pro-forma analysis is not sufficient to understand the potential range of outcomes. Using the catastrophe-loss models and the Fund's financial status as the starting point, a stochastic financial model is built to project the Fund's durability probability through 2035. The financial model used by the Administrator is similar to those developed when the Fund's structure and mechanics were established. Specifically, the Governor's Office engaged a team of experts, including Filsinger and Guy Carpenter, to develop financial models of the Fund to assess durability during the development of the 2019 Wildfire Legislation. CEA, as Administrator, has engaged both Filsinger and Guy Carpenter and has worked with them to make further refinements to the models to aid CEA in monitoring Fund durability and exposure to losses. The key differences in the two financial models are the wildfire losses used and the incident rate or attribution to the IOUs. These differences are discussed in turn.

Wildfire Losses

Guy Carpenter relies on the AIR model and increases its projections by a factor of 1.5 to approximate total loss. Filsinger considers two views of losses. In the first view Filsinger, too, looks at the AIR model output. For the second view, Filsinger relies on historical total losses potentially attributable to the IOUs.

Attribution

Filsinger uses the loss allocation percentages in the 2019 Wildfire Legislation to attribute losses to each IOU. Guy Carpenter attributes the loss to each IOU in a two-step process. First, the modeled loss is assigned to a specific IOU based on the location of the ignition and the IOU service area. Second, the loss is attributed to the specific IOU based on size and the probability that the modeled loss was caused by an IOU. The probability is based on a review of available data for total fire ignitions from 2001 to 2019.

The Administrator relies upon the loss and attribution rate methodology from Guy Carpenter to develop potential wildfire losses. The Administrator also uses the historical total losses to create an alternate "high risk" view. The financial model provides a multi-year view of the Fund starting with the actual financial position of the Fund for the most recent year-end.

As noted above, there are multiple sources of uncertainty in assessing the amount and frequency of eligible claims flowing to the Fund. Scenario testing provides an opportunity to measure the relative impact of key factors. A summary of the test scenarios and results are displayed in the table below.

Scenario	Current Year
1. Base <ul style="list-style-type: none"> - 60% & 40% settlement rate - 10% mitigation credit - 100% prudence 	99.9%
2. Phased Mitigation <ul style="list-style-type: none"> - 40% settlement rate - Mitigation credits postponed to 2024 - 100% prudence - Base risk 	99.9%
3. High Settlement Rate <ul style="list-style-type: none"> - 70% settlement rate - 10% mitigation credit - 100% prudence - Base risk 	99.9%
4. High Risk <ul style="list-style-type: none"> - 40% settlement rate - No mitigation credits - 100% prudence 	99.9%

Base — 1

The Base scenario is the current view of risk considering subrogation settlement rates from 40% to 60%.³ Because a higher settlement rate means more losses are paid from the Fund, the 60% settlement rate is associated with a slightly lower durability estimate in the current year. However, the difference is negligible because the probability associated with a modeled loss large enough to exhaust all sources of claim-paying capacity is remote. Over a longer projection period, the higher settlement rate has a compounding negative effect on Fund durability.

³The term “subrogation settlement rate” refers to settlements between an IOU that caused a covered wildfire, and the insurance companies that initially paid insured losses from the fire, and later seek reimbursement of some or all of their aggregate claim payments from the IOU by way of “subrogation claims.” Historically, the insurance companies and IOUs negotiate aggregated settlements for a percentage of the amounts paid out by the insurers.

In the Base scenario, modeled losses are adjusted for a 10% mitigation credit to reflect the Administrator's estimate of mitigation effects based on a review of the IOU mitigation plans and the estimates contained therein along with State mitigation activities. For all scenarios, prudence is assumed to be 100% throughout the projection period. This assumption is done for two specific reasons. First, there is no historical basis upon which to estimate the likelihood that a particular wildfire caused by an IOU would have been deemed to be imprudent. The concept of, and criteria for, imprudence is created by the 2019 Wildfire Legislation and depends on the CPUC's prudence review. Second, assuming 100% prudence presents a more conservative view of durability. If the CPUC's prudence review determines that the IOU was not prudent, the IOU must reimburse the Fund, subject to statutory limits, and there is less loss to the Fund. While this is not a desirable result—better that the IOUs act prudently—the effect is that the Fund has more resources and higher durability when prudence is low.

Phased Mitigation — 2

This scenario is the same as Base scenario 1 with the mitigation credit postponed. The intent of this scenario is not to imply that mitigation efforts have been or will be postponed; it is intended to provide a means to compare the results of this scenario to Base scenario 1 and demonstrate the beneficial effects of mitigation on Fund durability. This scenario also assumes 100% prudence and likewise presents a more conservative view of durability. The results are shown using a 40% subrogation settlement rate.

High Settlement Rate — 3

This scenario is provided to further explore the effects of settlement rates on Fund durability. This scenario is the same as Base scenario 1 with the settlement rate at 70%. A 70% settlement rate is associated with a slightly lower durability estimate in the current year. However, as noted above, the difference is negligible because the probability associated with a modeled loss large enough to exhaust all sources of claim-paying capacity is remote. Over a longer projection period, the higher settlement rate has a compounding negative effect on Fund durability.

High Risk — 4

The High Risk scenario uses the recent historical losses attributed to the IOUs over the past several years to create an alternate view of potential total losses where large losses are more frequent than those used in the Base scenario. Like the Base scenario, this scenario assumes 100% prudence for the same reasons as noted above, as well as for the purpose of isolating the difference to the alternate view of potential future losses. However, it should be noted that assuming 100% prudence in this scenario presents a significantly more conservative view of durability. The results are shown using a 40% subrogation settlement rate.

Frequency of Review

The financial models are updated each year to reflect the most recent year-end financial status of the Fund, including any claim activity, change in the risk transfer program, or change in key assumptions, such as growth and mitigation impacts. The financial models can also be used and updated throughout the year to measure the impact of anticipated or actual changes. Additionally, the models may be used throughout the year as a planning tool to test alternative strategies and what-if scenarios.

Enhancing Durability Using Risk Transfer

- **2019 Risk Transfer Program**

During its August 7, 2019, meeting, the CEA Governing Board, acting as the Interim Council, granted the Administrator broad authority to execute a risk transfer strategy and purchase, consistent with the written Risk Transfer Policy, insurance protection for the Fund. This risk transfer protection was for nearly nine months and went into effect in September 2019, just two months after enactment of the 2019 Wildfire Legislation and the creation of the Fund. The 2019 risk transfer protection covered liabilities arising from the 2019 wildfire season, related to the two IOUs that had joined the Fund at that time, SDG&E and SCE.

- **2020 Risk Transfer Program**

In June 2020, the Administrator once again engaged the reinsurance market regarding the potential for a risk transfer program for the 2020 wildfire season. After considerable analysis and great consideration, including Zoom-enabled reinsurer marketing presentations to more than 200 individuals representing more than 50 reinsurers located in the U.S. and elsewhere in the Americas, Bermuda, London, Europe, and Asia, Administrator staff determined that the pricing and structure did not sufficiently meet the goal of enhancing the Fund's durability. Administrator staff continue to evaluate and analyze the risk, pricing, and structural alternatives to enhance the claim-paying capacity and durability of the Fund and may engage the market if a program later developed can achieve the durability goals of the Fund. If the Administrator does engage in a 2020 risk transfer program, details will be provided in a future annual report.

Plan for Winding up the Fund

Current projections do not demonstrate that the Fund will be exhausted within the next three years. Accordingly, this Annual Report does not include a plan for winding up the Fund.

Comparison to Prior Year

Changes from prior-year results, models, and methodologies will be discussed in this section in subsequent reports.

III. The Success of the Fund

The Council and Administrator have taken all necessary actions to establish and operationalize the Fund. As Interim Administrator, CEA quickly established the required financial infrastructure (e.g., trust accounts, investment advisors, investment policies, asset managers, and financial and accounting systems) to allow receipt of the more than \$4.6 billion transferred to the Fund only weeks after the 2019 Wildfire Legislation was signed into law. From a Fund governance perspective, the Council was successfully activated in October 2019 with the appointment of a majority of its members, and it currently has a full roster of nine active members.

This section provides a brief summary of the Council's public meetings during this reporting period, includes information on the investments of moneys in the Fund as authorized by Public Utilities Code section 3281(c), and provides a summary of incurred claims.

Overview of the Council's Public Meetings

Prior to the establishment of a quorum of the Council, the 2019 Wildfire Legislation designated the CEA Governing Board ("Governing Board") to exercise the powers and duties of the Council on an interim basis. The Governing Board met in that capacity once, on August 7, 2019, and approved administrative steps undertaken by CEA, as the interim administrator of the Fund, to implement and operationalize the Fund. The Governing Board approved, adopted, and/or ratified agreements by CEA for custodial banking and demand deposit accounts, asset-management services, and investment consulting; authorized CEA to undertake expedited procurement and engagement of additional asset managers in anticipation of additional capitalization; approved and adopted investment policies for the Fund; and authorized CEA to develop, document and implement a cost allocation methodology to allocate all CEA administration expenses arising from or related to the Fund for payment by the Fund consistent with Insurance Code section 10089.6(d)(11). During this meeting, the Governing Board also approved CEA's activities to procure a reinsurance intermediary for risk transfer services, and to develop and implement risk transfer guidelines and a risk transfer strategy to protect the Fund during the looming 2019 wildfire season. It is important to note that the Fund was "on risk" immediately upon the Governor's signature of AB 1054.

Once activated by the appointment of a majority of members, the Council held its first public meeting on January 16, 2020, and elected a Chair, Mark Ghilarducci (the Governor's designee and also Director of the Governor's Office of Emergency Services), and a Vice-Chair, Rich Gordon (the appointee of the Speaker of the Assembly). Among other matters, during this initial meeting, the Council authorized CEA to manage the Conflict-of-Interest Code adoption process pursuant to Government Code section 87300 and adopted a Statement of Incompatible Activities pursuant to Government Code section 19990. The Council also discussed key Fund issues, including the appointment of the Administrator, the development of an Annual Report, and the Administrator's procurement of consulting services to advise CEA on the development of policies and procedures for claims administration functions.

During its April 23, 2020, meeting, after careful deliberations and discussions about whether CEA had the core competencies to perform all required functions of the Administrator, and after making a specific factual finding that CEA did indeed possess those core competencies, the Council appointed CEA as the Administrator. The Council also adopted a slightly revised Statement of Incompatible Activities, which was amended at the request of the California Department of Human Resources. Finally, during this meeting, the Council and Administrator participated in a dialogue regarding the Fund's durability analysis and management, potential revisions to the Investment Policy for Fund Assets, and the status of the Administrator's procurement process for consulting services for claims administration functions.

The Council is scheduled to meet again on July 23 and October 22, 2020. Details of these future meetings will be included in the second Annual Report.

Summary of Investments as Authorized by Public Utilities Code Section 3281(c)

Public Utilities Code section 3281 enumerates the duties and powers of the Administrator of the Fund. Among the Administrator's duties is the responsibility to prudently invest Fund assets. In establishing investment parameters for the Fund, the Legislature incorporated by reference into Public Utilities Code Section 3281(c) the investment guidelines enumerated in Government Code section 16430, which lists permissible investments for the State's general fund moneys held in the Treasurer's SMIF. While Section 16430 was enacted solely for the purpose of guiding the investment of public funds, the Legislature's incorporation of Section 16430 into the 2019 Wildfire Legislation expresses a clear directive to the Administrator to be conservative and apply low risk investment policies that emphasize capital preservation. The written Investment Policies that the Council has approved establish authorized investments that remain within the confines of Government Code Section 16430.

Claims Summary

During the report period, no claims were made by any of the IOUs on the Fund. However, see below in [Section IV](#) of this report, a summary of the 2019 Kincadee fire, which still has the potential to give rise to a claim on the Fund.

IV. Whether or Not the Fund Is Serving Its Purpose

The 2019 Wildfire Legislation's stated goals for the Fund are to benefit California ratepayers by:

- Reducing costs to ratepayers in addressing utility-caused catastrophic wildfires;
- Limiting the electrical corporations' exposure to financial liability resulting from wildfires that were caused by utility equipment;
- Increasing electrical corporations' access to capital to fund ongoing operations

and to make new investments to promote safety, reliability, and California's clean energy mandates; and

- Supporting electrical corporations' credit worthiness so they can attract capital for investments in safe, clean, and reliable power for California at a reasonable cost to ratepayers.

See AB 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019), Section 1.

To assess whether or not the Fund is serving its purpose, this section of the Annual Report examines the rating stability of the IOUs, the incentives AB 1054 creates for the IOUs to invest in mitigation, PG&E's emergence from bankruptcy, and potential future implications from the Kincadee fire on the Fund.

Rating Stability of the IOUs

Prior to the Fund, the IOUs experienced increased pressure and, in some cases, action by the rating agencies. Since the formation of the Fund, and the receipt of initial financial contributions from SCE and SDG&E, both IOUs have experienced rating stabilizations. Though the actual ratings have not changed, both IOUs' ratings outlooks have moved in a positive direction. Standard & Poor's changed the outlook for SDG&E from negative to stable and removed SCE from credit watch negative and assigned a stable outlook. Moody's affirmed ratings but moved SDG&E's outlook from negative to positive, and SCE's from negative to stable.

AB 1054 Creates Incentives for the IOUs to Invest in Mitigation

Increased investments in electric utility grid hardening, situational awareness, and, in the near-term, the use of public safety power shutoffs may help to significantly reduce the risk of utility-caused catastrophic wildfires. AB 1054 requires \$5 billion in the aggregate for utility wildfire safety investments with no return on equity for the utility. AB 1054 requires electrical corporations to annually file Wildfire Mitigation Plans with the CPUC. These Wildfire Mitigation Plans must cover at least a three-year period and describe a utility's plans to implement preventive strategies and programs to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including consideration of dynamic climate change risks. More information on PG&E, SCE, and SDG&E 2020 Wildfire Mitigation Plans and related documents is available at the CPUC's website: cpuc.ca.gov/wildfiremitigationplans.

In addition, AB 1054 creates incentives by way of cost recovery from the Fund, for IOUs to obtain and maintain safety certifications from the CPUC. Safety certifications encourage an IOU to invest in safety and improve safety culture to limit wildfire risks and reduce costs. During the report period, PG&E, SCE, and SDG&E all received their 2019 safety certifications from the CPUC. More information on these safety certificates is available at the CPUC's website: cpuc.ca.gov/wildfires.

The Fund & PG&E

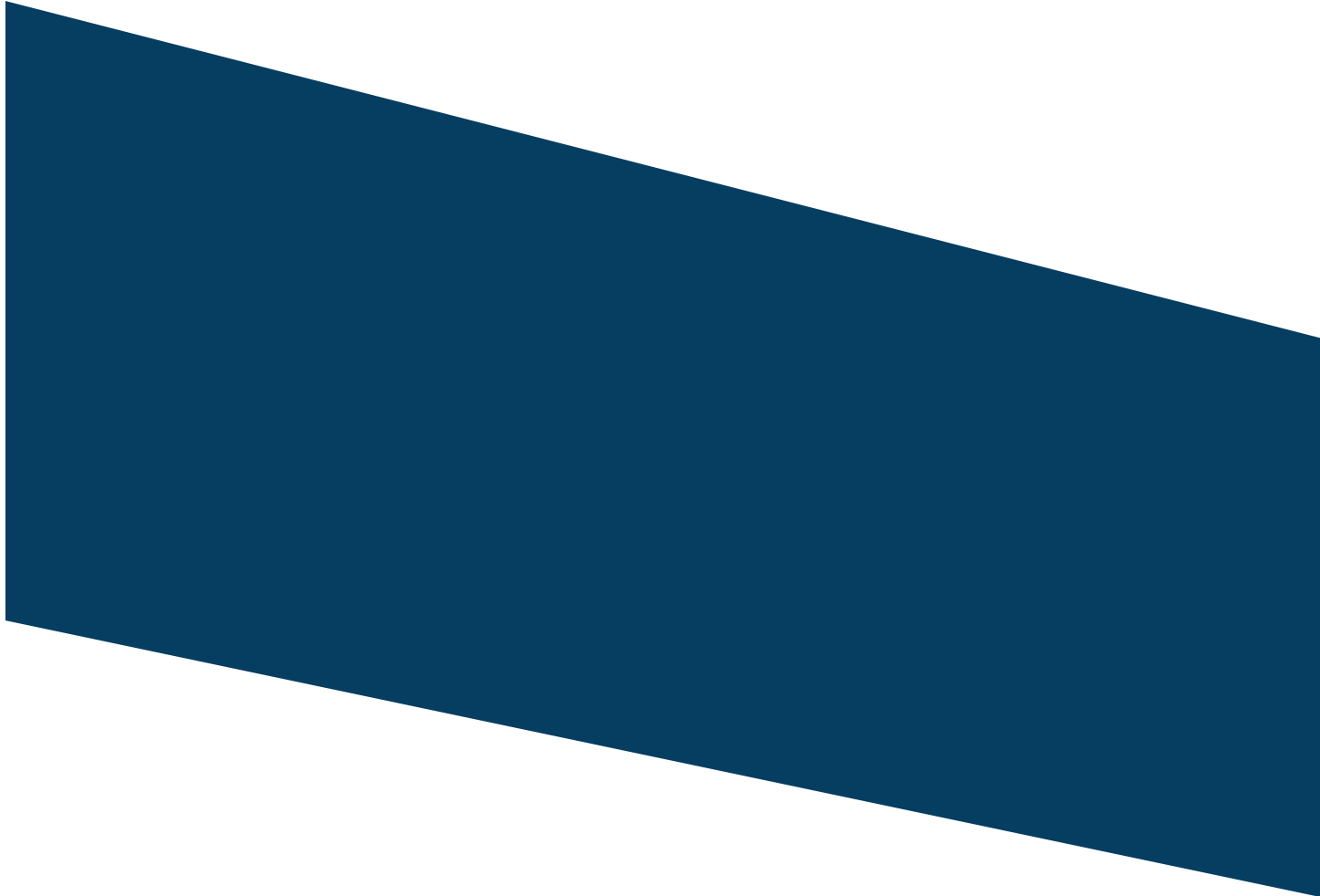
On July 1, 2020, the Administrator received \$5.008 billion (initial capitalization of \$4.815 billion, plus \$193 million for PG&E's share of the aggregate annual IOU contributions for 2019) in contributions from PG&E, qualifying it for coverage from the Fund. The Fund's asset managers have been able to invest all the PG&E contributions in a manner consistent with the Fund's Investment Policy.

PG&E's contributions satisfied the final remaining statutory requirement for PG&E to be included in and protected by the Fund. As we enter the 2020 wildfire season, the Fund is available to respond to covered wildfires caused by any of the IOUs.

The 2019 Wildfire Season and the Implications of the Kincade Fire on the Fund

The 2019 wildfire season caused less damage than the devastating 2017 and 2018 seasons. Detailed information about the 2019 wildfire season is available at CAL FIRE'S website: [fire.ca.gov/incidents/2019](https://www.fire.ca.gov/incidents/2019). During the report period, there have been nine wildfires—Saddle Ridge fire (October 10, 2019), Cypress Complex fire (October 27, 2019), Milpitas fire (October 27, 2019), Pleasant fire north (October 27, 2019), Pleasant fire south (October 27, 2019), Forest fire (October 27, 2019), Easy fire (October 30, 2019), Maria fire (October 31, 2019), and Cambria fire (July 6, 2020)—that may have been caused by IOUs that have been reported to CAL FIRE or in the IOUs' CPUC incident records. There has been one wildfire, the Kincade fire (October 23, 2019) that CAL FIRE has determined was caused by PG&E. With the exceptions of the Saddle Ridge and Kincade fires, all these actual and potential IOU-caused fires resulted in minimal structural damage, with fewer than 5 structures damaged in each case. The Saddle Ridge fire resulted in the damage or destruction of 107 structures, while the Kincade fire resulted in the damage or destruction of as many as 434 structures.

While, to date, no IOU has made any claims on the Fund, the Administrator is aware that on July 16, 2020, CAL FIRE determined that the Kincade fire was caused by electrical transmission lines owned and operated by PG&E. Since it has been determined that PG&E was at fault, the fire will become a covered wildfire, and loss claims in excess of PG&E's \$1 billion annual retention may be submitted to the Fund. Because PG&E was still in bankruptcy at the time the fire was ignited, the Fund's reimbursement obligation would be capped at 40% of the amount of eligible claims that would otherwise be reimbursable by the Fund. If the Kincade fire results in a claim, details will be included in a subsequent annual report.



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California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 7: Articles of Governance

Recommended Action: Discuss and Consider Adoption of Minor Amendments to Articles of Governance

At its July 23, 2020 meeting, the California Catastrophe Response Council (“Council”) discussed and adopted Articles of Governance. The Articles of Governance delineate specific procedures and processes for use by the Council and Wildfire Fund Administrator (“Administrator”) in fulfilling their respective statutory responsibilities. The Administrator now presents to the Council a few proposed technical amendments to the Articles of Governance.

There are two attachments to this memorandum. The first shows a redline comparing the proposed revised Articles of Governance to the version adopted by the Council during its July 23, 2020 meeting. The second is a clean copy of the proposed revised Articles of Governance that the Administrator presents to the Council for review and adoption.

**ARTICLES OF GOVERNANCE
CALIFORNIA CATASTROPHE RESPONSE COUNCIL &
CALIFORNIA EARTHQUAKE AUTHORITY, AS
WILDFIRE FUND ADMINISTRATOR**

ARTICLE I

Statement of Purpose

WHEREAS, on July 12, 2019, Governor Gavin Newsom signed AB 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019)¹ and AB 111 (Committee on Budget, Chapter 81, Statutes of 2019) (collectively, the “2019 Wildfire Legislation”), which among other things created the California Catastrophe Response Council (“Council”), the Wildfire Fund, and the Administrator of the Wildfire Fund (“Administrator”);

WHEREAS, the Council is vested with the authority to appoint an Administrator pursuant to Government Code Section 8899.72;

WHEREAS, the Council is vested with the authority to oversee the Administrator’s operation, management, and administration of the Wildfire Fund pursuant to Government Code Section 8899.72;

WHEREAS, the Council is specifically vested with the authority to oversee the Administrator’s duties as enumerated in Public Utilities Code Section 3281;²

WHEREAS the Council wishes to delineate specific procedures and processes for use by the Council and Administrator in fulfilling their respective statutory responsibilities;

NOW, THEREFORE, IT IS RESOLVED, that the Council does hereby adopt these Articles of Governance to set out the role and responsibilities of the Council and the Administrator, as follows:

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

² Additionally, the conduct, responsibilities, and duties of the Council and the Administrator are governed by Government Code Sections 8899.70 – 8899.72, and Public Utilities Code Sections 3280 - 3289, 3291 - 3294, 3296, and 1701.8, and Water Code Sections 80506 and 80542.

ARTICLE II

General Statement of Council Powers and Authority

The Administrator is authorized to operate the Wildfire Fund within the framework established by law and in accordance with the policies adopted by the Council. The Administrator will continually endeavor to identify and communicate to the Council on a regular basis emerging legal, economic, financial, political, social, technological, and marketplace trends that are likely to affect the Wildfire Fund's fulfillment of its mission, its duties to participating electrical corporations, and its operations, solvency, and management.

Consistent with statutory dictates to perform specific tasks and generally oversee the Administrator in operating the Wildfire Fund, the Council shall exercise the following statutory responsibilities and will exercise the following enumerated powers:

1. Select and appoint an Administrator.
2. With respect to matters that are not otherwise dictated by the 2019 Wildfire Legislation, the Council shall deliberate on and adopt policy directions for the administration of the Wildfire Fund.
3. Review, adopt, and revise, as necessary, an annual budget for the administration of the Wildfire Fund.
4. Review and adopt an annual Plan of Operations and annually direct the Administrator to present the Plan of Operations to the appropriate policy committees of the Legislature.
5. Deliberate on and approve the procedures established by the Administrator for ~~the its~~ review, approval, and timely funding of eligible claims, with approval of all amendments to these procedures, prior to the Administrator's use thereof.
6. Perform an annual review of the performance of the Administrator.
7. Direct the Administrator to prepare any reports, including those required pursuant to Public Utilities Code section 3287, regarding the formation, administration, and disposition of the Wildfire Fund, and review, adopt, and file such reports with the Legislature and the Department of Finance.

ARTICLE III

Duties and Responsibilities of the Wildfire Fund Administrator

In the administration of the Wildfire Fund, subject to the oversight of the Council, the Administrator has the duty and authority to:

1. Do those things reasonable and necessary for and appropriate to the discharge of the Administrator's express duties as set forth in the 2019 Wildfire Legislation.

2. With respect to matters that are not otherwise dictated by the 2019 Wildfire Legislation, present to the Council proposed policy directions for the administration of the Wildfire Fund.
3. Submit to the Council reports, resolutions, and procedures, and make recommendations for legislative action in connection with the laws that govern administration of the Wildfire Fund.
4. Appear before and offer testimony to Legislative committees and address other groups to inform them of the operations, policies, and procedures of the Wildfire Fund, as well as positions taken by the Council (if any) on proposed laws and other issues.
5. Establish, and propose to the Council for approval, procedures for the review, approval, and timely funding of eligible claims, as provided for in Public Utilities Code section 3284, subdivision (g), prior to the Administrator's use thereof.
6. Determine the amounts of eligible claims payable and fund those claims by and pursuant to claims administration procedures ~~developed and approved by the Council~~ described above in paragraph 5, to the Wildfire Fund's participating electrical corporations.
7. Retain, employ, and contract with officers, experts, employees, accountants, actuaries, financial professionals, and other executives, advisers, consultants, attorneys, and professionals as may be necessary in the Administrator's judgment for the efficient operation and administration of the Wildfire Fund.
8. Enter into contracts and other obligations relating to the operation, management, and administration of the Wildfire Fund.
9. Optimize the risk and return profile of the Wildfire Fund, including investing the moneys in the Wildfire Fund, with all investments in securities being solely in those securities eligible for investment of State funds pursuant to Section 16430 of the Government Code, as reflected in the current Investment Policy of the Wildfire Fund, which will be routinely reviewed and amended as needed.
10. Determine the appropriate capital structure of the Wildfire Fund to maximize the durability and claims paying resource of the fund. This could include issuing debt secured by future flows into the fund, buying insurance, reinsurance, or other risk transfer, or taking other actions to maximize the claims paying resources of the fund.
11. Direct the preparation of adequate statistical records to serve as a basis for actuarial investigations and computations in sufficient detail to reasonably support entering into fund durability contracts, including insurance, reinsurance, or other risk transfer contracts.
12. Pay costs, expenses, and other obligations of the Wildfire Fund, including, but not limited to costs, expenses, and other obligations incurred by or on behalf of the Administrator in the exercise of its duties and obligations, from Wildfire Fund assets.
13. Manage the Wildfire Fund to prioritize the use of contributions of the electrical corporations before the use of contributions by ratepayers to the extent practicable.

14. Take any actions necessary to collect any amounts owing to the Wildfire Fund from any third party, including, but not limited to, participating electrical corporations.
15. Submit to the Council for review and approval all annual budgets for the administration of the Wildfire Fund, all annual Plan of Operations, all amendments to the Wildfire Fund’s claims administration procedures, any and all periodic reports to the Legislature and the Department of Finance requested for preparation by the Council, and all other documents and information consistent with and necessarily implied by these Articles of Governance.
16. Participate in any Public Utilities Commission proceedings, as deemed necessary by the Administrator to preserve and protect the interest of the Wildfire Fund, including any proceeding related to the potential reimbursement of moneys paid from the Wildfire Fund to a participating electrical corporation.
17. Accept service of summons and any other legal service of process for and on behalf of the Administrator, the Council, or any individual Council member on matters related to the Wildfire Fund.
18. Take any other actions reasonable and necessary to administer the Wildfire Fund in a manner consistent with the policy directives as approved by the Council.

RESOLVED further, that these Articles of Governance are effective when approved by a majority vote of the Council and executed by the Chairperson of the Council.

 Date Mark Ghilarducci, Chair
 California Catastrophe Response Council

Approved as to form:

 Date Tom Welsh
 General Counsel
 California Earthquake Authority,
 as Wildfire Fund Administrator

**ARTICLES OF GOVERNANCE
CALIFORNIA CATASTROPHE RESPONSE COUNCIL &
CALIFORNIA EARTHQUAKE AUTHORITY, AS
WILDFIRE FUND ADMINISTRATOR**

ARTICLE I

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4. Review and adopt an annual Plan of Operations and annually direct the Administrator to present the Plan of Operations to the appropriate policy committees of the Legislature.
5. Deliberate on and approve the procedures established by the Administrator for its review, approval, and timely funding of eligible claims, with approval of all amendments to these procedures, prior to the Administrator's use thereof.
6. Perform an annual review of the performance of the Administrator.
7. Direct the Administrator to prepare any reports, including those required pursuant to Public Utilities Code section 3287, regarding the formation, administration, and disposition of the Wildfire Fund, and review, adopt, and file such reports with the Legislature and the Department of Finance.

ARTICLE III

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In the administration of the Wildfire Fund, subject to the oversight of the Council, the Administrator has the duty and authority to:

1. Do those things reasonable and necessary for and appropriate to the discharge of the Administrator's express duties as set forth in the 2019 Wildfire Legislation.

2. With respect to matters that are not otherwise dictated by the 2019 Wildfire Legislation, present to the Council proposed policy directions for the administration of the Wildfire Fund.
3. Submit to the Council reports, resolutions, and procedures, and make recommendations for legislative action in connection with the laws that govern administration of the Wildfire Fund.
4. Appear before and offer testimony to Legislative committees and address other groups to inform them of the operations, policies, and procedures of the Wildfire Fund, as well as positions taken by the Council (if any) on proposed laws and other issues.
5. Establish, and propose to the Council for approval, procedures for the review, approval, and timely funding of eligible claims, as provided for in Public Utilities Code section 3284, subdivision (g), prior to the Administrator's use thereof.
6. Determine the amounts of eligible claims payable and fund those claims by and pursuant to claims administration procedures described above in paragraph 5, to the Wildfire Fund's participating electrical corporations.
7. Retain, employ, and contract with officers, experts, employees, accountants, actuaries, financial professionals, and other executives, advisers, consultants, attorneys, and professionals as may be necessary in the Administrator's judgment for the efficient operation and administration of the Wildfire Fund.
8. Enter into contracts and other obligations relating to the operation, management, and administration of the Wildfire Fund.
9. Optimize the risk and return profile of the Wildfire Fund, including investing the moneys in the Wildfire Fund, with all investments in securities being solely in those securities eligible for investment of State funds pursuant to Section 16430 of the Government Code, as reflected in the current Investment Policy of the Wildfire Fund, which will be routinely reviewed and amended as needed.
10. Determine the appropriate capital structure of the Wildfire Fund to maximize the durability and claims paying resource of the fund. This could include issuing debt secured by future flows into the fund, buying insurance, reinsurance, or other risk transfer, or taking other actions to maximize the claims paying resources of the fund.
11. Direct the preparation of adequate statistical records to serve as a basis for actuarial investigations and computations in sufficient detail to reasonably support entering into fund durability contracts, including insurance, reinsurance, or other risk transfer contracts.
12. Pay costs, expenses, and other obligations of the Wildfire Fund, including, but not limited to costs, expenses, and other obligations incurred by or on behalf of the Administrator in the exercise of its duties and obligations, from Wildfire Fund assets.
13. Manage the Wildfire Fund to prioritize the use of contributions of the electrical corporations before the use of contributions by ratepayers to the extent practicable.
14. Take any actions necessary to collect any amounts owing to the Wildfire Fund from any third party, including, but not limited to, participating electrical corporations.

15. Submit to the Council for review and approval all annual budgets for the administration of the Wildfire Fund, all annual Plan of Operations, all amendments to the Wildfire Fund’s claims administration procedures, any and all periodic reports to the Legislature and the Department of Finance requested for preparation by the Council, and all other documents and information consistent with and necessarily implied by these Articles of Governance.
16. Participate in any Public Utilities Commission proceedings, as deemed necessary by the Administrator to preserve and protect the interest of the Wildfire Fund, including any proceeding related to the potential reimbursement of moneys paid from the Wildfire Fund to a participating electrical corporation.
17. Accept service of summons and any other legal service of process for and on behalf of the Administrator, the Council, or any individual Council member on matters related to the Wildfire Fund.
18. Take any other actions reasonable and necessary to administer the Wildfire Fund in a manner consistent with the policy directives as approved by the Council.

RESOLVED further, that these Articles of Governance are effective when approved by a majority vote of the Council and executed by the Chairperson of the Council.

Date

Mark Ghilarducci, Chair
California Catastrophe Response Council

Approved as to form:

Date

Tom Welsh
General Counsel
California Earthquake Authority,
as Wildfire Fund Administrator



California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 8: Claims Administration Procedures

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

Background

Public Utilities Code section 3284(g) requires the Wildfire Fund Administrator (“Administrator”), with the approval of the California Catastrophe Response Council (“Council”), to establish procedures for the review, approval and timely funding of eligible claims. The Administrator has prepared the attached Provisional Policy Statement and Summary of Procedures for the claims administration of the Wildfire Fund. The Council’s adoption of a Provisional Policy Statement and Summary of Procedures is in keeping with the Articles of Governance in which the Administrator is authorized to operate the Wildfire Fund within the framework established by law and in accordance with the policies adopted by the Council.

There are two attachments to this memorandum. The first attachment shows a redline comparing the draft version of the Provisional Policy Statement and Summary of Procedures circulated to Council members on October 7, 2020 to the revised version incorporating feedback from Council members. Outreach to the three electrical corporations was also conducted between October 8 – 12, 2020 to discuss the concepts contained in the document. The second attachment is a clean copy of the revised Provisional Policy Statement and Summary of Procedures incorporating Council member feedback that the Administrator is presenting to the Council for further review and consideration for adoption.

The Provisional Policy Statement outlines the principles that will guide the Administrator’s development of the claims procedures and help ensure that the procedures accomplish the Legislature’s goals in creating the Fund. The Summary of Procedures provides the broad policies that the Council will be instructing the Administrator to follow in the subsequent development of the more detailed claim process and specific procedures.



The Provisional Policy Statement and Summary of Procedures includes a few notes to the Council regarding issues of policy that have surfaced during the drafting of this document. The notes consider the language in the statute, the legislative intent, and feedback received through stakeholder engagement. The Council may want to provide more policy-level guidance to the Administrator for how these issues should be handled in the development of the more detailed claim process and drafting of specific procedures.

The Council may also want to consider seeking legislative clarification on some issues of policy. For example, there are substantial concerns about the Administrator's ability to provide sufficient privacy and legal protections in the claims-administration process. It may be necessary to ask the California Legislature for authorizations that provide greater privacy and legal protections for wildfire claimants and electrical corporations, ultimately for the benefit of ratepayers.

With the Council's approval, the Administrator will proceed to develop more detailed claims administration procedures consistent with the policy document, anticipating a draft to be available for the Council's next meeting in January 2021. The Administrator will be conducting outreach to additional stakeholders during the development of the detailed claims process and specific procedures.

Recommendation

Discuss and consider adoption of the Wildfire Fund Claims Administration – Provisional Policy Statement and Summary of Procedures. If adopted, instruct the Administrator to develop more detailed claims administration procedures consistent with the policy document.

WILDFIRE FUND CLAIMS ADMINISTRATION

PROVISIONAL POLICY STATEMENT AND SUMMARY OF PROCEDURES

I. PROVISIONAL POLICY STATEMENT

The ~~State of California Legislature~~ has found that catastrophic wildfires pose an immediate threat to communities and properties throughout the state. The ~~Legislature State of California~~ also found that, when the equipment of an electrical corporation is implicated in the cause of wildfires, there is a significant risk of increased costs to ratepayers and decreased funding available for the electrical corporation to improve the safety and reliability of the state's electrical infrastructure.

In 2019, the ~~California~~ Legislature addressed these concerns with its adoption of Assembly Bill (AB) 1054 and signed into law by the California Governor on July 12, 2019. That bill contained several measures, including the creation of a Wildfire Fund (the "Fund") to be funded by electrical corporations with additional contributions derived from a ratepayer charge that was approved by the California Public Utilities Commission. The Legislature's intent in creating the Fund was to provide a mechanism for ~~prudent~~ electrical corporations to pay wildfire claims which provides mutual benefits to ratepayers and electrical corporations. Fund benefits are available only under specific, limited conditions as defined by the Legislature. Monies will be paid from the Fund only to the extent that the electrical corporation demonstrates that its payment of claims reflects the exercise of objectively reasonable business judgment. To accomplish those goals, the Legislature vested discretion in a Wildfire Fund Administrator (the "Administrator") to develop and implement procedures for evaluating and paying claims submitted to the Fund, consistent with the legislative goals of the bill and as approved by the California Catastrophe Response Council (the "Council").

To assure that the Administrator's procedures accomplish the Legislature's goals in creating the Fund, the Administrator's development of the procedures is generally guided by the following principles:

- Electrical corporations must develop and demonstrate ~~an~~ objectively reasonable standards ~~of prudence and reasonableness~~ when resolving wildfire claims;
- ~~All~~ Each settlements for which the electrical corporations seek reimbursement from the Fund, will be a full and finally settled claims;
- The Fund will be managed judiciously to assure that payments of Fund benefits are appropriate and that the Fund remains economically viable for the payment of future wildfire claims, ~~and that judicious management may include the allowance of partial reimbursements of eligible claims subject to the Administrator's review and approval of reasonable business judgment by the electrical corporation;~~
- Stakeholder input is an important part of the development of claims-administration procedures and the Administrator will attempt to balance potentially competing stakeholder interests and opinions as appropriate in the Administrator's discretion;

- The Administrator will build procedures that are consistent with the statutory standards of claim review set forth in section 3292(f)(1)&(2) of the Public Utilities Code. More specifically:
 - Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the Administrator will be paid unless the Administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of reasonable business judgment.
 - Settlements of subrogation claims in excess of 40 percent of the total asserted claim value, as determined by the Administrator, and that includes a full release of the balance of the asserted claim, will be paid so long as the Administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms.
 - An eligible claim that is finally adjudicated will be paid in the full judgment amount.
- Procedures for the presentation and resolution of Wildfire Fund claims will be designed to lead to the efficient and timely resolution of claims for payment from the Fund;
- The Administrator will develop and utilize a uniform set of standards and benchmarks in assessing an electrical corporation's exercise of reasonable business judgment in resolving all wildfire claims;
- These claims-administration procedures will aim to balance, ~~as much as reasonably practicable,~~ the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, electrical corporations and others; and

Notes for the CCRC: There are substantial concerns about the Administrator's ability to provide sufficient privacy and legal protections in the claims-administration process. It may be necessary to ask the California Legislature for authorizations that provide greater privacy and legal protections for wildfire claimants, electrical corporations and ultimately ratepayers.

- These procedures will also maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances that cannot yet be predicted, and to account for changes in legal and other standards, while remaining consistent with the legislative intent expressed in the creation of the Fund.

II. SUMMARY OF WILDFIRE FUND CLAIMS PROCESS

This is a summary of the policies that will inform the development of the more detailed claim process and specific procedures.

A. Definitions

1. “Administrator” means the administrator of the Wildfire Fund appointed by the California Catastrophe Response Council pursuant to section 8899.72 of the Government Code.
2. “Covered Wildfire” means a wildfire that ignited on or after July 12, 2019 and which the governmental agency responsible for determining causation has determined was caused by an electrical corporation, as described in section 1701.8(a)(1) of the Public Utilities Code.

Notes for the CCRC:

During the course of developing the Provisional Policy Statement and Summary of Procedures, the Administrator has developed the following recommendations:

- “Covered Wildfire” is to be interpreted to include a landslide, mudslide, mudflow or debris flow resulting from a Covered Wildfire.
- “Covered Wildfire” is to be interpreted to include a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff (“PSPS”). However, a “Covered Wildfire” does not cover claims paid for third-party damages resulting from a PSPS or other wildfire prevention activities that do not cause a fire.
- A “governmental agency” is to be interpreted as including a court with competent jurisdiction.

During the course of developing the Provisional Policy Statement and Summary of Procedures, the Administrator has identified the following issues that it will be investigating as it develops the more detailed claims process and specific procedures:

- The lack of standard definition for wildfire, including in the Public Utilities Code and Public Resources Code.
- What happens if subsequent judicial review conflicts with a governmental agency’s initial determination?
- Is a “Covered Wildfire” to be interpreted to include events triggered by the piped natural gas equipment owned by an electrical corporation?
- Is a “Covered Wildfire” to be interpreted to include conflagration triggered by electrical corporation equipment during an earthquake?

The Administrator will raise items to the Council that potentially require a change in the policies of the Summary of Procedures.

Notes for the CCRC. Policy questions for consideration:

- What constitutes a wildfire?
- Is a governmental agency determination of causation subject to judicial review?
- Does a covered wildfire include events triggered by the piped natural gas portion of the electrical corporation, subsequent mudslide determined to be caused by a wildfire, and conflagration triggered by electrical corporation equipment during an earthquake?

3. “Eligible Claims” means claims for third-party damages directly resulting from Covered Wildfires, as described in section 3280(f) of the Public Utilities Code and presented by a Participating Utility for reimbursement from the Fund. For the avoidance of doubt, “Eligible Claims” also includes amounts for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the settlement of a settled or finally adjudicated claim of a third-party claiming damages directly caused by a Covered Wildfire.

Notes for the CCRC: Claims for third-party damages do not include damages to the Participating Utility property and personnel caused by a Covered Wildfire.

4. “Participating Utility” means an electrical corporation that has met all of the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.
5. “Threshold Amount” means claims paid on Covered Wildfires, which, in the aggregate, exceed the greater of (1) one billion dollars (\$1,000,000,000) in any year, or (2) the amount of the insurance coverage required to be in place for the electrical corporation pursuant to section 3293 of the Public Utilities Code.

Notes for the CCRC: The Governor signed AB 913 so “calendar” will be stricken from the statute effective January 1, 2021 and it will just state “in any year.” “Year” is interpreted as a fixed 12-month period that aligns with the policy period of the Participating Utility’s underlying insurance coverage.

6. “Wildfire Fund” or “Fund” means the fund created in Section 3284 of the Public Utility Code.

B. Pre-Claim Processes

These procedures apply before a Participating Utility presents Eligible Claims for reimbursement from the Wildfire Fund. These procedures are necessary in order to expedite the processing of Eligible Claims. Participating Utilities should report, on a quarterly basis, all of the following to the Administrator with respect to any actual or anticipated Eligible Claims arising from Covered Wildfires: (1) the date, location and, if applicable, name of each Covered Wildfire; (2) the total estimated amounts of payments for each Covered Wildfire broken down by damage type without identification of particular claims or claimants; and (3) a brief description of the status of efforts to resolve claims and an estimate of the timing of resolution of those claims.

C. Determination of Whether Threshold Amount Has Been Met for Submission of Eligible Claims

To be an Eligible Claim, and thus subject to reimbursement from the Fund, the Participating Utility's aggregate of settled claims must exceed the Threshold Amount. In order to demonstrate ~~that whether~~ the Participating Utility ~~has met exercised reasonable business judgment when settling claims meeting~~ the Threshold Amount, the Participating Utility must provide the Administrator with all of the information the Administrator determines necessary. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, electrical corporations and others. The information to be submitted by the Participating Utility may include any or all of the following:

- The date, location and name of each Covered Wildfire for which third-party claims were paid that are included in the Threshold Amount;
- Proof of payment of each claim within the Threshold Amount;
- An explanation of the process by which each claim within the Threshold Amount was resolved (e.g., by settlement, judgment, arbitration award or otherwise);
- An itemization of the amounts paid by the Participating Utility for each settled claim;
- An itemization of the claim submitted to the Participating Utility as well as the amounts claimed broken down among the following damage types:
 - Structures and Land
 - Trees
 - Crops
 - Additional living expenses
 - Personal property
 - Lost income (personal or business)
 - Emotional distress, annoyance and/or discomfort
 - Personal injury and/or wrongful death
 - Fire suppression costs
 - Attorneys' fees recovered by the claimant as an allowable part of damages

- Other legally recoverable damages

After receipt of the above submittals, the Administrator will first review the information provided to identify those claims that resulted from a Covered Wildfire. Claims not paid on a Covered Wildfire will not be included in the calculation of whether the Threshold Amount has been met. Claims that the Administrator determines were paid on a Covered Wildfire will then be evaluated to determine whether the amounts paid to reach the Threshold Amount were paid consistent with the exercise of reasonable business judgment. This review may include the evaluation of a statistically significant selection of representative claims or damage types, claim-by-claim analysis, or such other methods as the Administrator deems appropriate in the exercise of its sole discretion. The Administrator may request additional information from the Participating Utility as appropriate in the Administrator's judgment.

The Administrator will advise the Participating Utility of its determination of exhaustion of the Threshold Amount as efficiently as practicable, given the number of claims, the thoroughness of the submissions from the Participating Utility and other factors unique to the particular claims involved.

D. Evaluation of Eligible Claims

If the Administrator determines the Participating Utility has exhausted the Threshold Amount, the Administrator will evaluate claims above the Threshold Amount to determine that whether the Participating Utility has exercised reasonable business judgment and assess how much will be paid as reimbursement to the Participating Utility. Participating Utilities are entitled to reimbursement for only those amounts that the Administrator determines were paid consistent with the exercise of reasonable business judgment.

For each Eligible Claim for which reimbursement is sought, the Participating Utility must provide all of the information the Administrator determines necessary. The information provided by the Participating ~~Electrical~~ Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, electrical corporations and others. The information to be submitted by the Participating ~~Electrical~~ Utility may include any or all of the following:

- The date, location and name of each Covered Wildfire for each Eligible Claim;
- Proof of payment for each Eligible Claim;
- An explanation of the process by which each Eligible Claim was resolved (e.g., by settlement, judgment, arbitration award or otherwise);
- An itemization of the amounts paid by the Participating Utility for each settled claim;
- If available, aAn itemization of the claim submitted to the Participating Utility as well as the amounts claimed broken down among the following damage types:

- Structures and Land
- Trees
- Crops
- Additional living expenses
- Personal property
- Lost income (personal or business)
- Emotional distress, annoyance and/or discomfort
- Personal injury and/or wrongful death
- Fire suppression costs
- Attorneys' fees recovered by the claimant as an allowable part of damages
- Other legally recoverable damages

After receipt of the above submittals, the Administrator will review each Eligible Claim to determine the amount of reimbursement payable to the Participating Utility. The Administrator will reimburse claims, ~~or portions of claims~~, that the Administrator determines, in its sole discretion, were resolved by the Participating Utility in the exercise of reasonable business judgment.

The Administrator will advise the Participating Utility of its determination of the amounts to be reimbursed for Eligible Claims as efficiently as practicable, given the number of claims, the thoroughness of the submissions from the Participating Utility and other factors unique to the particular claims involved.

At the point in time at which the Administrator reasonably believes that the Fund no longer has a sufficient balance to reimburse all Eligible Claims, the Administrator will present a plan to the California Catastrophe Response Council on how remaining funds will be equitably apportioned among all projected claims.

Notes to the CCRC: As part of the annual Plan of Operations, the Administrator is required to assess the Fund's projected durability over the next three-year period. At the point when the projected claims paying capacity of the Wildfire Fund may be insufficient, based on modeling, to handle the projected claims for an upcoming three-year period, the Administrator will propose a plan to the Council for how the remaining funds will be equitably apportioned.

The above procedures are independent of, and do not apply to, catastrophic wildfire proceedings as defined by Section 1701.1(d)(4) of the Public Utilities Code.

~~After the disposition of a catastrophic wildfire proceeding by the Public Utilities Commission,~~
The Administrator, under the oversight of the California Catastrophe Response Council, may be ~~called upon~~required to make additional determinations regarding repayment to the Wildfire Fund under Section 3292(h) of the Public Utilities Code.

Reading

WILDFIRE FUND CLAIMS ADMINISTRATION

PROVISIONAL POLICY STATEMENT AND SUMMARY OF PROCEDURES

I. PROVISIONAL POLICY STATEMENT

The State of California has found that catastrophic wildfires pose an immediate threat to communities and properties throughout the state. The State of California also found that, when the equipment of an electrical corporation is implicated in the cause of wildfires, there is a significant risk of increased costs to ratepayers and decreased funding available for the electrical corporation to improve the safety and reliability of the state's electrical infrastructure.

In 2019, the California Legislature addressed these concerns with its adoption of Assembly Bill (AB) 1054 and signed into law by the California Governor on July 12, 2019. That bill contained several measures, including the creation of a Wildfire Fund (the "Fund") to be funded by electrical corporations with additional contributions derived from a ratepayer charge that was approved by the California Public Utilities Commission. The Legislature's intent in creating the Fund was to provide a mechanism for electrical corporations to pay wildfire claims which provides mutual benefits to ratepayers and electrical corporations. Fund benefits are available only under specific, limited conditions as defined by the Legislature. Monies will be paid from the Fund only to the extent that the electrical corporation demonstrates that its payment of claims reflects the exercise of objectively reasonable business judgment. To accomplish those goals, the Legislature vested discretion in a Wildfire Fund Administrator (the "Administrator") to develop and implement procedures for evaluating and paying claims submitted to the Fund, consistent with the legislative goals of the bill and as approved by the California Catastrophe Response Council (the "Council").

To assure that the Administrator's procedures accomplish the Legislature's goals in creating the Fund, the Administrator's development of the procedures is generally guided by the following principles:

- Electrical corporations must develop and demonstrate objectively reasonable standards when resolving wildfire claims;
- Each settlement for which the electrical corporations seek reimbursement from the Fund, will be a full and finally settled claim;
- The Fund will be managed judiciously to assure that payments of Fund benefits are appropriate and that the Fund remains economically viable for the payment of future wildfire claims;
- Stakeholder input is an important part of the development of claims-administration procedures and the Administrator will attempt to balance potentially competing stakeholder interests and opinions as appropriate in the Administrator's discretion;

- The Administrator will build procedures that are consistent with the statutory standards of claim review set forth in section 3292(f)(1)&(2) of the Public Utilities Code. More specifically:
 - Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the Administrator will be paid unless the Administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of reasonable business judgment.
 - Settlements of subrogation claims in excess of 40 percent of the total asserted claim value, as determined by the Administrator, and that includes a full release of the balance of the asserted claim, will be paid so long as the Administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms.
 - An eligible claim that is finally adjudicated will be paid in the full judgment amount.
- Procedures for the presentation and resolution of Wildfire Fund claims will be designed to lead to the efficient and timely resolution of claims for payment from the Fund;
- The Administrator will develop and utilize a uniform set of standards and benchmarks in assessing an electrical corporation's exercise of reasonable business judgment in resolving all wildfire claims;
- These claims-administration procedures will aim to balance the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, electrical corporations and others; and

Notes for the CCRC: There are substantial concerns about the Administrator's ability to provide sufficient privacy and legal protections in the claims-administration process. It may be necessary to ask the California Legislature for authorizations that provide greater privacy and legal protections for wildfire claimants, electrical corporations and ultimately ratepayers.

- These procedures will also maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances that cannot yet be predicted, and to account for changes in legal and other standards, while remaining consistent with the legislative intent expressed in the creation of the Fund.

II. SUMMARY OF WILDFIRE FUND CLAIMS PROCESS

This is a summary of the policies that will inform the development of the more detailed claim process and specific procedures.

A. Definitions

1. “Administrator” means the administrator of the Wildfire Fund appointed by the California Catastrophe Response Council pursuant to section 8899.72 of the Government Code.
2. “Covered Wildfire” means a wildfire that ignited on or after July 12, 2019 and which the governmental agency responsible for determining causation has determined was caused by an electrical corporation, as described in section 1701.8(a)(1) of the Public Utilities Code.

Notes for the CCRC:

During the course of developing the Provisional Policy Statement and Summary of Procedures, the Administrator has developed the following recommendations:

- “Covered Wildfire” is to be interpreted to include a landslide, mudslide, mudflow or debris flow resulting from a Covered Wildfire.
- “Covered Wildfire” is to be interpreted to include a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff (“PSPS”). However, a “Covered Wildfire” does not cover claims paid for third-party damages resulting from a PSPS or other wildfire prevention activities that do not cause a fire.
- A “governmental agency” is to be interpreted as including a court with competent jurisdiction.

During the course of developing the Provisional Policy Statement and Summary of Procedures, the Administrator has identified the following issues that it will be investigating as it develops the more detailed claims process and specific procedures:

- The lack of standard definition for wildfire, including in the Public Utilities Code and Public Resources Code.
- What happens if subsequent judicial review conflicts with a governmental agency’s initial determination?
- Is a “Covered Wildfire” to be interpreted to include events triggered by the piped natural gas equipment owned by an electrical corporation?
- Is a “Covered Wildfire” to be interpreted to include conflagration triggered by electrical corporation equipment during an earthquake?

The Administrator will raise items to the Council that potentially require a change in the policies of the Summary of Procedures.

3. “Eligible Claims” means claims for third-party damages directly resulting from Covered Wildfires, as described in section 3280(f) of the Public Utilities Code and presented by a Participating Utility for reimbursement from the Fund. For the avoidance of doubt, “Eligible Claims” also includes amounts for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the

settlement of a settled or finally adjudicated claim of a third-party claiming damages directly caused by a Covered Wildfire.

Notes for the CCRC: Claims for third-party damages do not include damages to the Participating Utility property and personnel caused by a Covered Wildfire.

4. “Participating Utility” means an electrical corporation that has met all of the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.
5. “Threshold Amount” means claims paid on Covered Wildfires, which, in the aggregate, exceed the greater of (1) one billion dollars (\$1,000,000,000) in any year, or (2) the amount of the insurance coverage required to be in place for the electrical corporation pursuant to section 3293 of the Public Utilities Code.

Notes for the CCRC: The Governor signed AB 913 so “calendar” will be stricken from the statute effective January 1, 2021 and it will just state “in any year.” “Year” is interpreted as a fixed 12-month period that aligns with the policy period of the Participating Utility’s underlying insurance coverage.

6. “Wildfire Fund” or “Fund” means the fund created in Section 3284 of the Public Utility Code.

B. Pre-Claim Processes

These procedures apply before a Participating Utility presents Eligible Claims for reimbursement from the Wildfire Fund. These procedures are necessary in order to expedite the processing of Eligible Claims. Participating Utilities should report, on a quarterly basis, all of the following to the Administrator with respect to any actual or anticipated Eligible Claims arising from Covered Wildfires: (1) the date, location and, if applicable, name of each Covered Wildfire; (2) the total estimated amounts of payments for each Covered Wildfire broken down by damage type without identification of particular claims or claimants; and (3) a brief description of the status of efforts to resolve claims and an estimate of the timing of resolution of those claims.

C. Determination of Whether Threshold Amount Has Been Met for Submission of Eligible Claims

To be an Eligible Claim, and thus subject to reimbursement from the Fund, the Participating Utility’s aggregate of settled claims must exceed the Threshold Amount. In order to demonstrate whether the Participating Utility exercised reasonable business judgment when settling claims meeting the Threshold Amount, the Participating Utility must provide the Administrator with all of the information the Administrator determines necessary. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, electrical corporations and

others. The information to be submitted by the Participating Utility may include any or all of the following:

- The date, location and name of each Covered Wildfire for which third-party claims were paid that are included in the Threshold Amount;
- Proof of payment of each claim within the Threshold Amount;
- An explanation of the process by which each claim within the Threshold Amount was resolved (e.g., by settlement, judgment, arbitration award or otherwise);
- An itemization of the amounts paid by the Participating Utility for each settled claim;
- An itemization of the claim submitted to the Participating Utility broken down among the following damage types:
 - Structures and Land
 - Trees
 - Crops
 - Additional living expenses
 - Personal property
 - Lost income (personal or business)
 - Emotional distress, annoyance and/or discomfort
 - Personal injury and/or wrongful death
 - Fire suppression costs
 - Attorneys' fees recovered by the claimant as an allowable part of damages
 - Other legally recoverable damages

After receipt of the above submittals, the Administrator will first review the information provided to identify those claims that resulted from a Covered Wildfire. Claims not paid on a Covered Wildfire will not be included in the calculation of whether the Threshold Amount has been met. Claims that the Administrator determines were paid on a Covered Wildfire will then be evaluated to determine whether the amounts paid to reach the Threshold Amount were paid consistent with the exercise of reasonable business judgment. This review may include the evaluation of a statistically significant selection of representative claims or damage types, claim-by-claim analysis, or such other methods as the Administrator deems appropriate in the exercise of its sole

discretion. The Administrator may request additional information from the Participating Utility as appropriate in the Administrator's judgment.

The Administrator will advise the Participating Utility of its determination of exhaustion of the Threshold Amount as efficiently as practicable, given the number of claims, the thoroughness of the submissions from the Participating Utility and other factors unique to the particular claims involved.

D. Evaluation of Eligible Claims

If the Administrator determines the Participating Utility has exhausted the Threshold Amount, the Administrator will evaluate claims above the Threshold Amount to determine whether the Participating Utility has exercised reasonable business judgment and assess how much will be paid as reimbursement to the Participating Utility. Participating Utilities are entitled to reimbursement for only those amounts that the Administrator determines were paid consistent with the exercise of reasonable business judgment.

For each Eligible Claim for which reimbursement is sought, the Participating Utility must provide all of the information the Administrator determines necessary. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, electrical corporations and others. The information to be submitted by the Participating Utility may include any or all of the following:

- The date, location and name of each Covered Wildfire for each Eligible Claim;
- Proof of payment for each Eligible Claim;
- An explanation of the process by which each Eligible Claim was resolved (e.g., by settlement, judgment, arbitration award or otherwise);
- An itemization of the amounts paid by the Participating Utility for each settled claim;
- An itemization of the claim submitted to the Participating Utility broken down among the following damage types:
 - Structures and Land
 - Trees
 - Crops
 - Additional living expenses
 - Personal property

- Lost income (personal or business)
- Emotional distress, annoyance and/or discomfort
- Personal injury and/or wrongful death
- Fire suppression costs
- Attorneys' fees recovered by the claimant as an allowable part of damages
- Other legally recoverable damages

After receipt of the above submittals, the Administrator will review each Eligible Claim to determine the amount of reimbursement payable to the Participating Utility. The Administrator will reimburse claims that the Administrator determines, in its sole discretion, were resolved by the Participating Utility in the exercise of reasonable business judgment.

The Administrator will advise the Participating Utility of its determination of the amounts to be reimbursed for Eligible Claims as efficiently as practicable, given the number of claims, the thoroughness of the submissions from the Participating Utility and other factors unique to the particular claims involved.

At the point in time at which the Administrator reasonably believes that the Fund no longer has a sufficient balance to reimburse all Eligible Claims, the Administrator will present a plan to the California Catastrophe Response Council on how remaining funds will be equitably apportioned among all projected claims.

Notes to the CCRC: As part of the annual Plan of Operations, the Administrator is required to assess the Fund's projected durability over the next three-year period. At the point when the projected claims paying capacity of the Wildfire Fund may be insufficient, based on modeling, to handle the projected claims for an upcoming three-year period, the Administrator will propose a plan to the Council for how the remaining funds will be equitably apportioned.

The above procedures are independent of, and do not apply to, catastrophic wildfire proceedings as defined by Section 1701.1(d)(4) of the Public Utilities Code. The Administrator, under the oversight of the California Catastrophe Response Council, may be required to make additional determinations regarding repayment to the Wildfire Fund under Section 3292(h) of the Public Utilities Code.



California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 9: Evaluation of Administrator's Performance

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

Background

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

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

Proposed Evaluation Process

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



public discussion is warranted or requested by the Council, CEA would place the matter on the Agenda for the April quarterly meeting of the Council.

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



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

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

Recommendation

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



California Catastrophe Response Council Memorandum

October 22, 2020

Agenda Item 10: (Proposed) 2021 California Catastrophe Response Council Quarterly Meeting Schedule

Recommended Action: Approve 2021 California Catastrophe Response Council Quarterly Meeting Schedule

Staff recommends approval of the following dates for the Council's 2021 regular business meetings:

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

2021 MEETING DATES
January 28
March 22
July 22
October 28

2021																																																
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