

**California Catastrophe Response Council**  
***Report to the Legislature and Department of Finance***  
***on the***  
**Formation, Administration, and Disposition of the Wildfire Fund**  
**(“Statutory Report”)**  
**January 1, 2024**

Governor Gavin Newsom, Chair

State Treasurer Fiona Ma

Insurance Commissioner Ricardo Lara

Secretary of Natural Resources Wade Crowfoot

Appointee Paul Rosenstiel

Appointee Rhoda Rossman

Appointee Catherine Barna

Appointee Tracy Van Houten

Appointee Kathleen Ritzman

## Background

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

Pursuant to California Public Utilities Code section 3287, this Statutory Report on the formation, administration, and disposition of the Wildfire Fund has been prepared by the California Catastrophe Response Council (“Council”), with the assistance of the California Earthquake Authority in its capacity as the Wildfire Fund Administrator (“Administrator”) and is hereby filed with the Legislature and the Department of Finance. The information in this Statutory Report is similar, but not identical to, the information contained in the 2023 Annual Report on the California Wildfire Fund’s Operations (available electronically at [www.cawildfirefund.com/annual-legislative-report](http://www.cawildfirefund.com/annual-legislative-report)). The 2023 Annual Report covers the period of July 12, 2022, through July 11, 2023, and is incorporated into this Statutory Report.

## Fund Assets

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

As the Administrator, the CEA is custodian of the Fund’s cash and investments. This requires the 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 2022 audited financial statements, available at this website: [EarthquakeAuthority.com/About-CEA/Financials/Financial-Statements](http://EarthquakeAuthority.com/About-CEA/Financials/Financial-Statements). On the following page is an excerpt of that financial information, which covers calendar year 2022, along with supplemental unaudited information related to the Fund’s contributions received through December 15, 2023.

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<sup>1</sup>The 2019 Wildfire Legislation was subsequently amended in 2019 by AB 1513 (Holden, Chapter 396, Statutes of 2019), in 2020 by SB 350 (Hill, Chapter 27, Statutes of 2020), and in 2021 by AB 242 (Holden, Chapter 228, Statutes of 2021).

Fiduciary Fund  
Statement of Fiduciary Net Position  
Fiduciary Fund of California Wildfire Fund

December 31, 2022 and 2021

	Custodial Fund	
	2022	2021
<b>Assets</b>		
Cash and investments:		
Cash and cash equivalents	\$ 632,630,881	\$ 494,362,365
Investments	9,478,138,463	9,825,798,581
Securities receivable	26,972,364	-
Total assets	10,137,741,708	10,320,160,946
<b>Liabilities - Securities payable</b>	96,965,250	94,001,434
<b>Net Position - Restricted</b>	<u>\$ 10,040,776,458</u>	<u>\$ 10,226,159,512</u>

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As the table below shows, as of December 15, 2023, the Fund has received \$13,563,331,612 in capitalization. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue debt backed by the NBCs.

**California Wildfire Fund  
Contributions & NBCs Received  
As of December 15, 2023**

<u>Description</u>	<u>Date Received</u>	<u>Amount</u>
1. SMIF Loan Proceeds	8/15/2019	\$ 2,000,000,000
2. SDG&E initial capital contribution	9/9/2019	322,500,000
3. SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
4. SDG&E 2019 annual contribution	12/19/2019	12,900,000
5. SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
6. PG&E initial capital contribution	7/1/2020	4,815,000,000
7. PG&E 2019 annual contribution	7/1/2020	192,600,000
8. IOUs 2020 annual contributions	December-20	300,000,000
9. IOUs 2021 annual contributions	December-21	300,000,000
10. IOUs 2022 annual contributions	December-22	<u>300,000,000</u>
	<b>Total Contributions</b>	10,700,000,000
1. 2021 NBC funds received	12-months of 2021	875,076,565
2. 2022 NBC funds received	12-months of 2022	1,116,593,213
3. 2023 NBC funds received	01/01/2023 - 12/15/2023	<u>871,661,834</u>
	<b>Total NBCs</b>	2,863,331,612
	<b>Total Funds Received</b>	<u><u>\$ 13,563,331,612</u></u>

**Note 1:**  
NBC funds received by the CWF are net of DWR administrative and operating expenses.

**Note 2:**  
The \$2.0 billion SMIF Loan was paid off in April'23. The CWF paid interest of \$118,455,185.

## **NBCs and Repayment of the \$2 billion SMIF Loan**

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

DWR is required to allocate and distribute the NBCs for specified priority purposes, including paying its own administrative and overhead expenses and facilitating the prompt repaying of the SMIF loan. Amounts of NBCs not allocated to a priority purpose are to be transferred to the Fund where the funds may be used to pay eligible claims following a covered wildfire. In addition to administering the collection of the NBCs through the IOUs, DWR is also empowered to issue revenue bonds and to pledge the NBC revenues to the repayment of those bonds.

CEA in its role as the Administrator, DWR, the State Treasurer’s Office, and the Department of Finance collectively determined to allocate the collected NBCs to the repayment of the SMIF loan pursuant to an amortization schedule negotiated among the parties. The amortization schedule provided for the Administrator to pay monthly principal payments of \$70 million, and quarterly interest payments. Principal payments began on December 29, 2020, and the SMIF Loan was fully paid off on April 25, 2023. Since the \$2 billion SMIF Loan has been fully repaid, NBCs now flow directly into the Fund to provide claim-paying capacity.

### **Claims Summary.**

2021 Dixie Fire: CAL FIRE determined that the 2021 Dixie Fire was caused by electrical equipment owned by Pacific Gas & Electric Company (“PG&E”). Accordingly, loss claims in excess of PG&E’s \$1 billion annual retention may be submitted for reimbursement to the Fund. On September 15, 2023, the Administrator received written notice from PG&E, as required by the *Wildfire Fund Claims Administration Procedures* (“*Procedures*”), that PG&E anticipates that claim settlements will exceed a total of more than \$750 million in the aggregate for third-party claims resulting from the 2021 Dixie Fire. This notification is required to give the Administrator, and the Administrator’s claims review services provider, Sedgwick Claims Management Services, Inc. (“Sedgwick”) adequate time to prepare for the submission of claims. On October 10, 2023, PG&E submitted initial claims data in connection with the 2021 Dixie Fire to Sedgwick. In accordance with the *Procedures*, Sedgwick is actively reviewing the 2021 Dixie Fire initial claims data. PG&E’s 10-Q report to the SEC for the quarterly period ending September 30, 2023, records a potential recovery of \$600 million to the Fund for the 2021 Dixie Fire. Fire suppression costs are not included in this estimate. PG&E reported that the CAL FIRE Investigation Report estimates over \$650 million of costs suppressing the 2021 Dixie Fire.