

As approved by the CA Catastrophe Response Council at its meeting on Thursday, January 28, 2021

**CALIFORNIA EARTHQUAKE AUTHORITY  
CALIFORNIA CATASTROPHE RESPONSE COUNCIL  
WILDFIRE FUND GOVERNING BOARD MEETING  
MINUTES**

**Thursday, October 22, 2020  
2:00 p.m.**

Members of the Governing Board in Attendance:

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

Members of the CEA Staff in Attendance:

Glenn Pomeroy, Chief Executive Officer  
Tom Hanzel, Chief Financial Officer  
Laurie Johnson, Chief Catastrophe Response & Resiliency Officer  
Susan Johnson, Governance Liaison  
Suman Tatapudy, Senior Counsel  
Tom Welsh, General Counsel

Speakers:

Bill Chiu, Southern California Edison, Managing Director, Grid Resiliency Program  
Management Office  
Matt Pender, PG&E, Director, Community Wildfire Safety Program  
Jonathan Woldemariam, San Diego Gas & Electric, Director of Wildfire Mitigation  
& Vegetation Management

**1. Quorum: Call to Order and Member Roll Call**

Chair Mark Ghilarducci called the meeting, held via Zoom, to order at 2:07 p.m. and welcomed everyone. Ms. Susan Johnson called the roll and stated that a quorum was present.

**2. Minutes: Review and approve minutes of the July 23, 2020 meeting of the Council.**

**MOTION:** Mr. Martinez motioned to approve the July 23, 2020 meeting minutes as written. Mr. Cash seconded. The Motion carried unanimously.

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

Mr. Pomeroy began by describing the startup phase of the California Wildfire Fund. It started about a year ago and is now basically completed – it is up and running and serving the purpose for which the Legislature intended. The buildout continues, including the claims administration process.

We are currently keeping an eye on three wildfires – the Kincadee, Bobcat, and Zogg – to see if they will bring claims to the Fund.

**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:** San Diego Gas & Electric (SDG&E) – Jonathan Woldemarium, Director of Wildfire Mitigation & Vegetation Management.

Mr. Woldemarium began with a map of SDG&E service territory. About 64% is in the High Fire Threat District. Risk pertains to the overhead power lines, about 3,500 miles of which exist in the SDG&E service territory.

183,000 out of the 1.4 million customer accounts are within the high fire threat district.

SDG&E has placed over 200 weather stations through the years.

42% of the high fire threat district is underground already. Since 2008 SDG&E has hardened over 400 miles of transmission lines and over 700 miles of distribution lines.

SDG&E's Wildfire Mitigation Plan has been organized into 10 categories consisting of 56 programs.

Specific activities around grid hardening include:

- A strategic undergrounding effort for about 135 miles over the three years that the Wildfire Mitigation Plan covers (2020-22). Over 300 miles will have overhead hardening done.
- Placing more weather stations.
- About 51,000 trees will be cleared.
- To reduce or eliminate public safety power shutoffs, SDG&E is installing generators, placing microgrids, and providing services.

Mr. Woldemarium gave details of the hardening projects.

- Overhead hardening requires more separation of transmission pole wires and distribution pole wires, and stronger structure to stand against high winds.
- Undergrounding is a little more challenging because of the need to cross into roads, whereas overhead lines extend hillside to hillside.
- Another method is to use a covered conductor.
- Seven microgrids (solar and energy storage) will be installed; they are useful for preventing power shutoffs in communities that are not actually in the fire threat districts, when the main power line itself is shut off.

Mr. Woldemariam discussed inspections and the use of drones. Drones allow closer views and views over the top of the poles that ground patrols cannot give, providing more information to address fire risk. SDG&E is also doing proactive equipment replacement such as automated capacitors with remote control capability. Expulsion fuses do not have the outward ignitions that can cause fires.

SDG&E has an annual inspection program for the 450,000 trees in the database. SDG&E is also mindful of trees outside their right-of-way, such as palm trees whose fronds blow into the power lines.

About 80,000 trees are targeted species that SDG&E is tracking. With pole-brushing, SDG&E clears brush around the poles where equipment may be at risk. Under the fuels management program, native brush is thinned and dead vegetation is cleared.

Under the advanced system protection program, SDG&E looks at not just the equipment on the lines but also the equipment in the substations (where transmission lines come together and feed the neighborhoods with distribution poles and circuits).

There are many other early detection tools that can notify of eventual failure at points along the system.

Mr. Woldemariam discussed the efficacy of the programs. With the hardening of over 400 miles of transmission since 2007, there has been an 83% reduction in ignitions. On the distribution side, they have gone from an average 372 faults per year to 26 per year.

Newer activities for SDG&E include completing the hardening work and using lightning arrestors (to be completed by 2026). The advanced protection program should be completed by 2028. The undergrounding work will continue.

**Public Safety Power Shutoffs (PSPS) and Efforts to Reduce Customer Impacts:** PG&E – Matt Pender, Director, Community Wildfire Safety Program

Mr. Pender noted that many of the things Mr. Woldemariam mentioned also relate to PG&E's wildfire mitigation program. Mr. Pender focused on the PSPS effort.

PG&E serves about 5.5 million customers, about 10% of which live in the high-fire threat districts. Almost a third of PG&E's distribution lines and a third of PG&E's transmission lines pass through the high fire threat districts.

PG&E's program communicates in three key areas:

- Reducing wildfire potential.
- Improving situational awareness.
- Reducing the impact of PSPS events.

PG&E focused adjustments for 2020 around three aspects of the PSPS program:

- Making them one-third smaller so that fewer customers are impacted each time.
- Making the events shorter. This is about how quickly PG&E can patrol, making sure there is no damage on their lines, and turning the power back on. Aerial inspections are the fastest way to do this.
- Working smarter. In 2019 there were challenges in communication such as the PG&E website failure. PG&E has improved coordination with other agencies such as OES and first responders.

One of the key tools for making the PSPS smaller is deploying temporary generation to create temporary microgrids.

Another key tool involves sectionalizing the electric grid; PG&E has identified hundreds of locations where they can keep the events smaller by having an additional switch – or sectionalizing device – that allows PG&E to turn the power off for customers in a hazardous area and keep the power on for customers who are safe. In 2020 PG&E has installed 603 sectionalizing devices on its distribution system and 36 on its transmission system to allow them to cut up the grid into smaller bits and be more targeted with PSPS events.

A key tool for making the PSPS both smaller and smarter is better weather modeling to inform decision-making. PG&E has installed nearly 1,000 new weather stations to inform real-time weather awareness. All technology tools have been upgraded to integrate weather forecasting information with asset data in terms of where the risk might be. Weather station data is available at [mesowest.com](http://mesowest.com) and [pge.com/weather](http://pge.com/weather).

PG&E has upgraded customer notifications in 2020, making them simpler and more direct. PG&E has also added an estimated restoration time.

PG&E now supplies a zip code alert. Not everyone who may be impacted is a PG&E customer – they may be renters or live in a mobile home community. They can still enroll in zip code alerts.

PG&E worked with many community-based organizations to provide resources directly to some of the most vulnerable customers such as those with limited English proficiency.

Beyond 2020, many of the tools will be the same in terms of making the grid more flexible, cutting the grid up into smaller groups, deploying microgrids, using generation sources, and continuing to enhance analysis tools. As PG&E hardens its system, learns about where the risk really is and isn't, and does vegetation management, it will reduce the scope of PSPS events for customers going forward.

**Wildfire Risk Assessment, Situational Awareness and New Technologies to Understand and Reduce Wildfire Risk:** Southern California Edison – Bill Chiu, Managing Director, Grid Resiliency Program Management Office.

Mr. Chiu stated that like SDG&E and PG&E, Southern California Edison (SCE) is also making significant progress to reduce wildfire risk to its systems and to reduce the impact of PSPS events for customers.

He provided a broader view of how SCE is improving wildfire analysis and risk quantification, and the application of new technology.

The SCE service area covers diverse geography and terrain: coastal, desert, urban, and forest. Fuel conditions have been exacerbated by climate change. 2020 is a record season with more than four million acres burned in California, more than double the previous record in 2018. Five of the six largest wildfires in the state have occurred in 2020.

SCE's wildfire mitigation strategy consists of three pillars based on fire science:

- Effectively minimize if not eliminate the sources of ignition, by aggressively tackling and removing burnable fuel near possible sources of ignition, and bolstering their situational awareness capability to have advance warning on potential fire weather conditions.
- Mitigation measures are based on actual historical events. SCE's most recent wildfire mitigation plan, filed this year, includes three key differentiators from past years:
  - Significantly improved overall risk analysis and risk quantification.
  - Application of new and developing technologies such as artificial intelligence, machine learning, and system sensors and monitor technology.
  - An effort to reduce the impact of PSPS to customers to reduce the hardship those outages can have on customers.

Mr. Chiu discussed wildfire risk modeling framework which is based on the wildfire risk bowtie, an approach used to objectively assess the wildfire risk associated with utility equipment in high fire risk areas. It informs wildfire mitigation on both sides of the bowtie: to minimize the possibility of ignition as well as the consequences after ignition occurs.

This framework allows for more granular and actual representation of areas of greatest wildfire risk, which helps SCE prioritize the location of mitigation deployment. SCE started this more advanced risk modeling by leveraging the work done by REAX Engineering.

Technology SCE is applying to further advance its efforts include:

- Drones and helicopters for high-definition images.
- LiDAR technology for capturing images.
- Artificial intelligence and machine learning to improve data analysis capabilities.
- Distributed fault anticipation/early fault detection/open phase detection, technologies applied to SCE infrastructure to further detect certain conditions.
- Rapid Earth Fault Current Limiter (REFCL), a new technology that can drive down the fault level to a point where it does not create an ignition source.

Mr. Chiu gave detailed examples of these technologies.

He discussed how SCE, as well as SDG&E and PG&E, is bolstering its situational awareness capabilities. They deploy a large fleet of weather stations and high-definition cameras across high risk areas. A supercomputer produces a refresh every 10 minutes of realtime weather data that supplies wind speed, wind gusts, temperature, and humidity for accurate forecasting at the circuit level and understanding of actual conditions in the field.

Since 2018 SCE has installed 161 high-definition cameras in high fire risk areas. To advance intelligence they are applying computer algorithms to increase the accuracy of detection of potential sources of ignition.

Mr. Chiu gave an update of SCE efforts through the end of the third quarter this year.

- Installation of 161 high-definition cameras.
- Installation of over 1,000 weather stations.
- Installation of over 1,000 miles of insulated wires or covered conductors.
- Acquisition of over 12,000 sectionalizing devices.
- A dedicated incident management team on call 24/7 to respond to any emergency.

More information is available at [sce.com/wildfire](http://sce.com/wildfire).

## **Questions and Discussion**

Mr. Martinez asked how the utilities ensure sufficient and prioritized wildfire risk mitigation through high fire threat vegetation reduction. Regarding advance PSPS notifications, he asked if they use languages other than English. Mr. Woldemariam replied that SDG&E is leveraging over 15 years' worth of data that tracks tree species and types of issues they have had regarding tree mortality rate because of bug infestations and so forth. Growth rate is another part of the data along with trimming clearances. All of that data enables SDG&E to model more closely the tree behavior with power lines; that is how they came up with the five targeted species for enhanced tree trimming: eucalyptus, palm, pine, oak, and sycamore.

Mr. Pender stated that PG&E continues to refine its risk prioritization model of where the highest risk areas are. They continue to upgrade their tools using historical data, etc. with the intention – across all programs – of going to the areas that get the greatest impact in terms of wildfire risk reduction as quickly and efficiently as possible in terms of resource deployment and so on.

Regarding the question regarding PSPS notification in multiple languages, PG&E supplies information in 13 languages particularly through the website where customers can click to specify their preferred language. PG&E is working with a number of community-based organizations for help in translating the material and getting press releases onto local radio stations.

Mr. Chiu added that SCE's vegetation management program consists of two pillars: they go beyond the traditional clearing of power lines and the hazard tree management program that assesses the health condition of trees further away from power lines that could propose some risk. The assessments are done by certified arborists to identify the appropriate remediation measure including removal of trees.

Regarding the PSPS notification, Mr. Chiu stated that SCE provides a variety of languages in terms of notification sent out and information posted on the website.

Mr. Martinez commented that there is a current regulatory process at the Public Utilities Commission to help prioritize vegetation management and reduction plans.

**5. Financial Report: CEA CFO Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of August 31, 2020.**

Mr. Hanzel began with an update of the balance sheet. The biggest change was the addition of the PG&E&E funds, which brought in a little over \$5 billion to the Wildfire Fund and has been invested. Since the last update which showed the financials as of June 30, there were no other material changes on the balance sheet. Our ready cash for claims paying is \$9.9 billion; we have the additional funds which will continue to flow in for many years to come, which ultimately gets us to the \$21 billion number.

The Statement of Revenues and Expenses is actually an income statement. The biggest changes are the addition of the PG&E&E contribution and the unrealized

gain/loss position. On June 30 that number was about \$130 million, and now it is about \$117 million, primarily driven by a slight increase in the rates in the broad market which impacted CEA's portfolio.

As of October 1, the non-bypassable charges started being collected by the three Investor-Owned Utilities (IOUs); those will continue for the next 15 years, accumulating to about \$902 million per year. The Department of Water Resources (DWR) has started that process. Those funds will start coming into the Wildfire Fund around December 15.

Ms. Rossman commented that there has been much progress in restructuring the way these expenses are allocated. DWR is an intermediary and their role can be scaled to be more comprehensive or more minimal. It would be great to see progress in transitioning some of those responsibilities to the CEA, which already has a Finance Department dedicated to keeping track of, investing, and managing the cash for the Wildfire Fund. For the next meeting in January, Ms. Rossman recommended that the Council request the CEA to progress to a point where they can tell the Council what the options are for restructuring those payments, and the different roles that DWR and CEA play in the finances. Hopefully, we can rearrange the expenses and make a significant deduction to the proposed charge within a reasonable amount of time.

Chair Ghilarducci agreed; the Council should direct staff to focus on this effort with the metric of returning to the January meetings with a set of recommendations to brief the Board in a more comprehensive way on this topic. Mr. Welsh stated that a formal action did not need to be taken for this request. Mr. Pomeroy responded that staff would take this on and report back in January.

Mr. Hanzel stated that the Personnel and General & Administrative Expenses continue to be stable at about \$100,000 per month for personnel costs. CEA has moved away from having direct temps. CEA allocates some additional overhead which shows up in the general & administrative expenses, which also run at about \$100,000 per month.

Mr. Hanzel discussed the investment portfolio. CEA is moving toward investment-grade solid corporate securities as well as other government agencies. From December 2019 to August 2020, the Treasuries went from 96% to 67%; they are now at 62%. Corporates are now at 28% and the agencies are at 10%.

Mr. Hanzel explained regarding the Investment Analysis that general economy-fed actions have continued to suppress CEA's ability to find new securities at a higher rate. CEA's real goal is to preserve our capital.

CEA has the \$2 billion Surplus Money Investment Fund (SMIF) loan, received in August 2019. We continue to look at the optimal way to repay that loan – the right timing and process.

**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.**

Ms. Tatapudy explained the two annual reporting requirements established by AB 1054 regarding the Wildfire Fund.

- The Plan of Operations, approved in the July meeting. The administrator filed that plan with the relevant legislative policy committees in September.
- PUC § 3287 Annual Report. The Administrator was now recommending that the Wildfire Council submit a copy of the first Plan of Operations with a new statutorily required summary to the Legislature and the Department of Finance, to satisfy the Wildfire Council's Section 3287 reporting requirement. Ms. Tatapudy listed the reasons and summarized the timeline that had been followed.

There was no public comment.

**MOTION:** Ms. Rossman moved to approve the recommendation. Mr. Gordon seconded. The Motion carried (there was no audible vote from Mr. Rosenstiel).

Mr. Gordon commented that eventually the Council might want to consider having a single annual report, rather than two reports that essentially cover the same topics. Chair Ghilarducci responded that the Council would just need to ensure that there are not different reporting timeframes for the different plans.

**7. Articles of Governance: Ms. Tatapudy will present and request adoption of minor amendments to the Council's Articles of Governance.**

Ms. Tatapudy stated that as staff continues to work to implement AB 1054, they may need to come to the Council from time to time to make revisions to the Articles of Governance to accurately reflect the appropriate division of labor between the Council and the Administrator.

The revised Articles of Governance are technical corrections that result in a better alignment with the text of AB 1054.

**MOTION:** Mr. Cash moved approval of the revised Articles of Governance. Ms. Bando seconded. The Motion carried (there was no audible vote from Mr. Rosenstiel).

**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.**

Dr. Johnson briefed the Council on claims administration.

Staff has been working on the development of the Wildfire Claims Administration document, which has two parts: Provisional Policy Statement and Summary of Procedures.

- The Provisional Policy Statement outlines the principles that will guide the Administrator’s development of the claims procedures and help ensure that the claims procedures accomplish what the Legislature, Governor, and State of California intended in creating the Wildfire Fund.
- The Summary of Procedures outlines a broader set of policies and guidance that the Wildfire Council will instruct the Administrator to follow in the subsequent development of the more detailed claims process and specific procedures.

Staff circulated a draft to the Council on October 7 and also conducted outreach with the three electrical corporations during that time. They also sought input from subject matter experts in wildfire litigation, wildfire liability insurance, and other issues. The revised version, distributed to the Council, reflects this input.

Dr. Johnson referred to the Notes that have been inserted. During their outreach, staff found a number of things they are recommending for inclusion in the interpretation, particularly the definitions. There are a few items that they will continue to work to clarify.

With the Council’s approval, the Administrator will next proceed to develop more detailed claims administration procedures consistent with this policy document. This will include conducting further outreach to additional stakeholders.

Mr. Martinez asked if Dr. Johnson had received input from external stakeholders including the IOUs on the draft and revised claims administration procedures. Dr. Johnson confirmed. They have also done outreach on topics that needed more information such as the definition of *covered wildfire*.

Mr. Rosenstiel commented that he was looking forward to seeing the details; it is important that as we put those together, we keep in mind some of the overriding reasons that the Legislature enacted AB 1054 and why it was important. In particular, we need to keep a focus on creating a process that has some degree of certainty, as well as discretion and speediness.

There was no public comment.

**MOTION:** Mr. Rosenstiel moved to approve the Wildfire Claims Administration – Provisional Policy Statement and Summary of Procedures. Ms. O’Connor seconded. The Motion carried.

**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.**

Mr. Pomeroy stated that at the Council’s request, staff had given further thought to placing structure around an evaluation process that the Council would then adjust.

Staff had accordingly put a framework together modeled after the CEA Governing Board's evaluation of Mr. Pomeroy's performance as CEO. Mr. Pomeroy suggested that the first evaluation period could reflect back to April 2020; at the January meeting, two Council members willing to serve on an Evaluation Committee could submit feedback from other Council members. If desired, a report could be made at the April meeting. The Council could provide feedback on leadership, governance, finance claims, and the possible addition of Enterprise Risk Management as a performance category.

### **Questions and Discussion**

Ms. Rossman suggested that the members consider whether they wanted to serve on the subcommittee rather than having members appointed. Chair Ghilarducci noted that serving on the subcommittee takes some time in order to gain a focus. He felt that the subcommittee is a good way to do a review of the Administrator and the functions – it gives the ability to have a measurement as to whether the Administrator is meeting objectives.

Mr. Martinez commented that he supported the proposed performance categories including having Enterprise Risk Management separated into its own category. The categories are thoughtful and widely-encompassing. He agreed with Mr. Pomeroy's suggestion of having the Council members rotate onto the subcommittee every three years. Because this is the first year, categories and processes could change as needed in the subsequent years.

Chair Ghilarducci requested staff to put together a document associated with this for the next meeting, at which time the subcommittee members will be identified.

### **10. 2021 California Catastrophe Response Council Quarterly Meeting Schedule: Mr. Pomeroy will seek approval of the proposed 2021 Council meeting dates.**

Mr. Pomeroy listed the proposed dates for 2021 Council meetings:

January 28 (set)  
April 22  
July 22  
October 28

He requested the Council members to let staff know of any conflicts.

### **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 3:50 p.m.