

California Catastrophe Response Council Meeting Minutes

Teleconference Meeting

July 22, 2021
2:00 p.m.

Members of Council in Attendance:

Richard Gordon, Vice-Chair, appointed by the Speaker of the Assembly
Lisbeth Landsman-Smith, designee of Insurance Commissioner Ricardo Lara
Kasey O'Connor, designee of State Treasurer Fiona Ma
Amanda Martin, designee of Secretary of Natural Resources Wade Crowfoot
Michael Wara, appointed by the Senate Committee Chairman on Rules
Rhoda Rossman, Public Member appointed by the Governor
Catherine Barna, Public Member appointed by the Governor
Paul Rosenstiel, Public Member appointed by the Governor

Members of Staff in Attendance:

Glenn Pomeroy, Chief Executive Officer
Shawna Ackerman, Chief Risk and Actuarial Officer
Dr. Laurie Johnson, Chief Catastrophe Response & Resiliency Officer
Tom Hanzel, Chief Financial Officer
Tom Welsh, General Counsel
Jim Lombard, Chief Administrative Officer
Suman Tatapudy, Senior Counsel
Susie Hernandez, Legislative Director
Susan Johnson, Governance Liaison

Speakers:

Caroline Thomas Jacobs, Director, Office of Energy Infrastructure Safety, California Natural Resources Agency
Kapil Bhatia, Financial Advisor, Raymond James

1. Quorum: Agenda Item 1: “Call to Order and Member Roll Call”

CEO Glenn Pomeroy announced that Chairman Ghilarducci was not able to attend the meeting and that Vice-Chair Gordon would serve as Chairman.

Vice-Chair Gordon called the meeting, held via Zoom, to order at 2:01 p.m.

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

2. Minutes: Agenda Item 2: “Review and approve minutes of the April 22, 2021 meeting of the Council.”

MOTION: Ms. Barna motioned to approve the April 22, 2021 meeting minutes as written. Ms. O'Connor seconded. The motion carried unanimously by roll call vote.

3. Executive Report: *Agenda Item 3: “Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.”*

Mr. Pomeroy stated that California is heading into what promises to be a dangerous and difficult wildfire season and that he and his team will keep the Council abreast of wildfire activity. Mr. Pomeroy also briefly previewed items that Chief Catastrophe Response and Resiliency Officer Dr. Laurie Johnson and Senior Counsel Suman Tatapudy would present later in the meeting.

He then updated the Council on the status of federal legislation that, if enacted, would eliminate the federal tax on CEA mitigation grants. The legislation, sponsored by U.S. Rep. Mike Thompson of California, has gained bipartisan support and Mr. Pomeroy expressed optimism regarding its eventual passage either as a standalone bill or as an amendment attached to another larger piece of legislation.

4. Informational Presentation – Office of Energy Infrastructure Safety: *Agenda Item 4: “Caroline Thomas Jacobs, Director, Office of Energy Infrastructure Safety, California Natural Resources Agency, will provide an overview of the roles and responsibilities of the newly established Office of Energy Infrastructure Safety, as successor to the Wildfire Safety Division of the California Public Utilities Commission.”*

Ms. Jacobs stated that her agency's role is to oversee and enforce electrical corporation compliance with wildfire safety. She said her team works closely with, and consults with, the California Office of Emergency Services (CalOES) when it comes to power safety and power shutoffs. Ms. Jacobs said her Office's vision is for a sustainable California with no catastrophic, utility-ignited wildfires that has access to safe, affordable, and reliable electricity. She said her team's key responsibilities include reviewing wildfire mitigation plans; conducting annual safety assessments of the 8 investor-owned utility companies; and issuing safety certifications.

Questions and Discussion

Ms. Landsman-Smith asked Ms. Jacobs to provide an example of information she had requested from one of the investor-owned utilities. Ms. Jacobs cited a follow-up request made of PG&E to provide additional details about its plans for public safety power shutoffs, and also a request for additional details about the company's covered conductor program.

5. Financial Report: Agenda Item 5: “Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund.”

Mr. Hanzel reported that the Wildfire Fund’s net financial position stands at \$10 billion. He also reported on the Wildfire Fund’s budget versus actual expenditures and stated that “we continue to grow the corpus of the Wildfire Fund” with that growth coming primarily via the ratepayer non-bypassable charges.

Mr. Hanzel said his finance team’s current focus is to find more yield with additional fixed income securities when it comes to the Wildfire Fund’s investments.

Mr. Hanzel then introduced Kapil Bhatia, representing the financial services firm, Raymond James. Mr. Bhatia and his firm act as financial advisor to the Administrator and, among other things, assist the Administrator in the management of the Fund’s investment portfolio. Mr. Bhatia explained to council members that 1/3 of the Wildfire Fund’s investment portfolio are now in corporate securities with extended durations and the conversion to corporate securities from U.S. Treasuries has resulted in higher investment returns in the last year. As of June 30, 2021, Mr. Bhatia stated that 57% of the Wildfire Fund’s investment portfolio is in U.S. Treasuries; 32% is in corporate securities; 11% is in government agency securities; and 0.2% is in commercial paper securities.

The Wildfire Fund investment portfolio is “very stable and conservative,” Mr. Bhatia concluded.

Questions and Discussion

Ms. Rossman thanked Mr. Hanzel for providing details and transparency in his financial update.

Mr. Rosenstiel asked whether the Wildfire Fund’s total investment returns were net of the asset manager’s expenses. Mr. Hanzel responded to Mr. Rosenstiel that the investment returns were net of asset manager’s expenses and that those expenses are very small.

Mr. Hanzel concluded his report by informing council members that the finance team is in the process of increasing the number of asset management firms from 11 to 14. He stated that having the additional firms will give his team more flexibility if it has to terminate any of the management firms for performance or compliance related matters.

Ms. O’Connor said she supports adding three additional asset management firms and that she appreciates that the finance team is considering “diverse” firms in the selection process.

6. Claims Administration: Agenda Item 6: “Dr. Laurie Johnson, CEA Chief Catastrophe Response & Resiliency Officer, will seek Council approval of the Claims Administration Procedures for the Wildfire Fund.”

Dr. Johnson stated that her team has been working through the nuances of the Wildfire Fund enabling legislation to establish a novel claim reimbursement mechanism within the wildfire insurance space. Her team’s work has included outreach to the three investor-owned utilities/electrical corporations, claims data specialists, reinsurers and intermediary brokers, and subject matter experts on various aspects of wildfire liability assessment to better understand claim handling and auditing processes on the types of claims that arise from utility-caused wildfires. She reported that informational briefings on the claims administration responsibilities and process were also conducted with representatives of insurance industry trade associations, utility ratepayer advocates, and other stakeholders.

Dr. Johnson described the structure and content of the final draft Claims Administration Procedures and what specific additions or modifications were made in comparison with the Expanded Summary of Procedures that the Council approved at its January 28, 2021 meeting. She also described the wildfire modeling and notification protocols and tools that her team is developing to monitor wildfires across the state and track related utility-caused wildfire loss information.

Questions and Discussion

Ms. Landsman-Smith and Mr. Rosenstiel applauded Dr. Johnson and her team for producing an “excellent document.”

Public Comment

There was no public comment.

MOTION Mr. Rosenstiel motioned to approve the Claims Administration Procedures and to authorize the Administrator to make periodic non-discretionary, conforming changes to the Procedures as necessary to ensure that the Procedures conform to any statutory amendments that may be enacted in the future. Mr. Wara seconded. The motion was approved unanimously on a roll call vote.

7. Plan of Operations (Second Annual Report): Agenda Item 7: “Senior Counsel Suman Tatapudy will ask the Council to review and consider approval and adoption of the Second Annual Report and, if approved, authorize the Administrator to deliver the Second Annual Report to the Senate Committee

on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy.”

Ms. Tatapudy stated that the report to the State Legislature includes information on the Wildfire Fund’s assets and the overall durability of the Wildfire Fund, adding that the report demonstrates that the Wildfire Fund is serving its purpose as enacted by the Legislature.

Public Comment

There was no public comment.

MOTION: Ms. Landsman-Smith motioned to approve and adopt the Second Annual Report and to authorize the Administrator to deliver the Second Annual Report to the Senate Committee on Energy, Utilities and Communications and to the Assembly Committee on Utilities and Energy. Ms. Rossman seconded. The motion was approved unanimously on a roll call vote.

8. Legislative Update: Agenda Item 8: “Legislative Director Susie Hernandez will provide a legislative update to the Council.”

Ms. Hernandez reported on two pending legislative proposals that could impact the Wildfire Fund if enacted. One of the pieces of proposed legislation would expand the definition of a “covered wildfire” and specify that the IOUs annual contributions would continue for a period of 10 years. If enacted, the legislation is not expected to adversely impact the Wildfire Fund.

Ms. Hernandez stated that no opposition has surfaced to the potential legislation.

Finally, Ms. Hernandez said there has been some discussions at the State Capitol about possible legislation to establish a new claim fund that would provide insurance for so-called “prescribed burn” operators. This issue is in the discussion stage with no proposed legislation yet filed.

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

Ms. Ackerman updated Board members on her team’s continuing efforts to integrate its ERM efforts into the Wildfire Fund. She stated that her team has identified 12 priority risks for the Wildfire Fund and that many of those risks are similar to risks identified for the CEA. The ERM Committee has assessed the risk status as medium for two of the priority risks – business continuity and Wildfire Fund modeling.

10. Public comment: Agenda Item 10: “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.”

There was no public comment.

11. Adjournment.

There being no further business, Vice-Chair Gordon adjourned the meeting at 3:34 p.m.