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Notice Publication Date: October 31, 2024

PUBLIC NOTICE

A PUBLIC MEETING OF THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL

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

This meeting will be held both in-person and via teleconference in accordance with Government Code section 11123.2. The meeting location noted below will be open to Council members and the public. The public may also participate remotely through the Zoom meeting link below. None of the locations from which the Council members will participate remotely will be open to the public.

DATE: November 14, 2024

TIME: 2:00 p.m.

LOCATION: 400 Capitol Mall, Suite 670, Sacramento, CA 95814

TELECONFERENCE ACCESS:

By Computer (Open the Zoom* App, or navigate to www.zoom.com):

Enter Meeting ID: 816 9718 0437

Direct Link: <https://us02web.zoom.us/j/81697180437>

By Phone: 1 (669) 900-6833

Enter Meeting ID: 816 9718 0437

* Please note that use of the Zoom platform to access the meeting may require the entry of an email address and may be subject to the Terms of Use and Privacy Policy of Zoom, which are outside the control of the Council or CEA. Anyone with concerns about the use of Zoom should attend the meeting from the physical location noted above.

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comments at this public meeting. The telephone lines and Zoom links of members of the public will be muted to prevent background noise from inadvertently disrupting the meeting. Phone lines and Zoom links will be

unmuted upon request to allow for public comment when appropriate.

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

ACCESSIBILITY FOR DISABLED PERSONS: The CEA complies with the Americans with Disabilities Act (ADA) by ensuring that the meeting facilities are accessible to persons with disabilities, and providing this notice and information given to the members of the California Catastrophe Response Council in appropriate alternative formats when requested. If you need further assistance, including disability-related modifications or accommodations, you may contact CEA’s ADA Coordinator no later than five calendar days before the meeting at (916) 661-5400, or by email to EEO@calquake.com. TTY/TDD and Speech-to-Speech users may dial 7-1-1 for the California Relay Service to submit comments on an agenda item or to request special accommodations for persons with disabilities.

MEETING MATERIALS: A copy of this Notice and Agenda has been posted on the Wildfire Fund website <https://www.cawildfirefund.com/council>. Prior to the meeting, the written materials that will be provided to members of the Council will also be posted on this website. Finally, on the day of the meeting, a copy of any presentation deck that the Council or the Administrator may use during the meeting will also be posted to this site.

For further information about this notice or its contents:

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To view this notice on the California Wildfire Fund website and to access meeting materials, please visit <https://www.cawildfirefund.com/council>

AGENDA

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

- Governor
- Treasurer
- Insurance Commissioner
- Secretary for Natural Resources
- Tracy Van Houten, Appointee of the Speaker of the Assembly
- Kathleen Ritzman, Appointee of the Senate Rules Committee
- Paul Rosenstiel, Public Member appointed by the Governor
- Rhoda Rossman, Public Member appointed by the Governor
- Catherine Barna, Public Member appointed by the Governor

Establishment of a quorum

2. Minutes: Review and approve the minutes of the August 12, 2024, meeting of the Council.

3. Meeting Dates: CEA Chief Executive Officer Tom Welsh will present for discussion proposed 2025 Council meeting dates.

4. Executive Report: CEA Executive Staff will report on the following activities related to CEA's administration of the Wildfire Fund:

- A. Claims Administration – George Sittner, Chief Insurance & Claims Officer will update the Council on the status of administering PG&E's claim arising from the Dixie Fire.
- B. Enterprise Risk Management (ERM) – Shawna Ackerman, Chief Risk & Actuarial Officer, will report on CEA's ERM program.
- C. Financial Report - Tom Hanzel, Chief Financial Officer, will provide the Council with a financial report on the Wildfire Fund as of September 30, 2024.

5. California Department of Water Resources Presentation: Jesse Cason, Jr., P.E., Manager, California Energy Bond Office, California Department of Water Resources (DWR), will provide an overview of DWR's expenses related to the management of the ratepayer non-bypassable charges collected on behalf of the California Wildfire Fund.

6. Public Comment: The Council will invite public comment on matters related to the Wildfire Fund that do not appear on this agenda and to make requests that matters be placed on a future Council meeting agenda.

7. Adjournment.



California Catastrophe Response Council Memorandum

November 14, 2024

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of August 12, 2024 Meeting

Attached is a draft of the meeting minutes of the meeting of the California Catastrophe Response Council (Council) held on August 12, 2024. CEA staff has reviewed these minutes and believe that they accurately summarize and document the matters discussed and actions taken by the Council at this meeting.

CEA staff recommends approval and adoption of the draft minutes as the official record of the Council meeting of August 12, 2024.

DRAFT

**CALIFORNIA CATASTROPHE RESPONSE COUNCIL MEETING
MINUTES**

**August 12, 2024
1:00 p.m.**

Location: 400 Capitol Mall, Suite 670
Sacramento, CA 95814

Members of Council in attendance:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom
Khaim Morton, designee of State Treasurer Fiona Ma
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot
Tracy Van Houten, appointee of the Speaker of the Assembly*
Kathleen Ritzman, appointee of the Senate Committee on Rules
Paul Rosenstiel, Vice Chair, Public Member
Rhoda Rossman, Public Member
Catherine Barna, Public Member

*Participated remotely.

Members of the CEA staff in attendance:

Tom Welsh, Chief Executive Officer
Shawna Ackerman, Chief Risk and Actuarial Officer
Tom Hanzel, Chief Financial Officer
George Sittner, Chief Insurance and Claims Officer
Suman Tatapudy, General Counsel
Susan Johnson, Governance Liaison

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

Chair Mark Ghilarducci called the meeting of the California Catastrophe Response Council (CCRC or Council) to order at 1:15 p.m.

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

2. Minutes: Review and approve the minutes of the February 29, 2024, meeting of the Council.

Public Comment

- Michael Allen, Former California State Assembly Member (attended virtually).

MOTION: Mr. Morton moved to approve the February 29, 2024, minutes of the California Catastrophe Response Council. Mr. Cash seconded. The motion passed unanimously by roll call vote with Mr. Rosenstiel abstaining.

3. Vice Chair: Chair Mark Ghilarducci will ask the Council to select a vice chair.

Chair Ghilarducci stated the resignation of Council Member Rich Gordon vacated the Vice Chair position. He asked for volunteers to serve as Vice Chair of the CCRC.

Mr. Rosenstiel volunteered.

Upon unanimous consent of the Council, Chair Ghilarducci congratulated Vice Chair Rosenstiel on his new position.

4. Executive Report: CEA Chief Executive Officer Tom Welsh and other executive staff, as indicated, will provide the Council with an executive report on the following key items:

The following three items of the Executive Report are part of the process of keeping the Council apprised of what the CEA does in its role as Administrator of the California Wildfire Fund (CWF or Wildfire Fund).

A. CEA Operations and Leadership – Tom Welsh, Chief Executive Officer

Chief Executive Officer Tom Welsh provided an overview of the CEA leadership change and the current focus of the CEA's operations. He stated, as the Interim CEO from January to June of this year, he was asked by the CEA Governing Board to focus on operational stability, catastrophe event readiness, and financial strength. In his permanent role as CEO of the CEA since June, the Governing Board mandates have remained the same: strengthen operational excellence, ensure catastrophe event readiness, maintain financial strength, enhance sustainability, and continue robust administration of the Wildfire Fund.

Mr. Welsh stated, ultimately, these focus areas serve the interests of this Council and the Wildfire Fund and put the CEA in a position to remain a strong and prudent Administrator of the Fund for years to come.

Mr. Welsh stated the overall focus as Administrator of the Wildfire Fund is on staying diligent in carrying out its responsibilities that are mandated in statute, collaborating with the Council and key stakeholders, monitoring threats and proposed changes, and facilitating the Council's oversight and policy functions through accurate, timely reporting.

There were no questions from Council Members and no public comment.

B. Enterprise Risk Management – Shawna Ackerman, Chief Risk and Actuarial Officer

Chief Risk and Actuarial Officer Shawna Ackerman presented her report.

Risk Assessment Scorecard:

- The quarterly status for each priority risk was unchanged from the February 2024 report to the Council. As tracking indicates, a majority of the Wildfire Fund risk is mitigated with current controls that are in place.

Enterprise Risk Management (ERM) Committee:

- The ERM Committee sets strategies, identifies priority risks, and ensures that risks are being monitored appropriately.

Risk and Compliance Committee (RCC):

- The RCC oversees policies. The RCC completed its annual review for the period April 30, 2023, through May 1, 2024, and submitted it to the ERM Committee last month. The RCC's core mission is to enhance the culture of compliance within the CEA and thus reduce risk across the enterprise through such activities as:
 - Policy oversight to ensure that needed policies are in place and that they are read and adhered to.
 - Improving ERM awareness for all staff by assisting the Human Resources Department in training, the onboarding process, and internal communications.
 - Enhancing accountability by initiating an internal audit program and establishing a process for audit-finding follow-up.
 - Completion of the California Department of Insurance (CDI) full financial audit for ERM for the first quarter of 2024 with no findings.

Mitigation:

- Chief Insurance and Claims Officer George Sittner has been assigned to monitor mitigation.
- In February, the Office of Energy Infrastructure Safety (Energy Safety), which has oversight of the Wildfire Mitigation Plans (WMPs), released its final audit report of PG&E's and SCE's Substantial Vegetation Management (SVM) 2021 WMP updates. Energy Safety found that PG&E and SCE substantially complied with the audits.
- In March, Energy Safety issued its Annual Report on Compliance for SDG&E's 2021 WMP update. Energy Safety's evaluation found SDG&E undertook significant effort to reduce its wildfire risk and, in many instances, achieved its objectives and targets. On balance, SDG&E was largely successful in executing an actionable and adaptive plan for wildfire risk mitigation. There are, however, still areas for improvement and continued learning.
- In April, Energy Safety issued its Annual Report on Compliance (ARC) for SCE's 2021 WMP update. Energy Safety's evaluation found SCE undertook significant effort to reduce its wildfire risk and, in many instances, SCE achieved its objectives and targets.

Discussion

Chair Ghilarducci asked about the Committees and their various areas of focus and whether there are outlines on how they operate.

Ms. Ackerman stated the ERM Committee has a framework document that identifies the risk tolerances and controls. The RCC does an annual or biannual review of every policy issued, depending upon the nature of the policy, and does assessments on individual readers.

Vice Chair Rosenstiel asked about specific activities of the RCC that are related to wildfire as opposed to earthquake.

Ms. Ackerman stated the ERM committee does an annual deep dive to ensure that priority risk areas have been identified.

Chair Ghilarducci asked what the CEA is doing on the compliance piece with regards to what Energy Safety is doing to ensure that everyone is aligned and that mitigation strategies are consistent across the board.

Ms. Ackerman stated the CEA does not have a role in the mitigation per se, but, if it is not done correctly or appropriately, it could impact durability. It is more about awareness for the CEA and the Council to know that these efforts are ongoing and whether they are successful.

Chair Ghilarducci asked if the CEA or the Council would engage with Energy Safety about possible concerns.

Mr. Welsh stated they would. The CEA does not technically have jurisdiction over the execution of mitigation plans, but they are relevant to what the CEA does in administering claims or potentially requesting funding back for lack of prudence. He stated there is one piece that Energy Safety does that impacts the Wildfire Fund in a post-claim situation. The CWF pays eligible claims. There is a possibility that, if they did not act prudently, the utility company may have to refund money back to the CWF after the California Public Utilities Commission (CPUC) conducts its Catastrophic Wildfire Proceedings. The existence of a safety certification is one piece of the prudence evaluation, and Energy Safety issues the safety certifications to the utilities. That is another reason the CEA monitors Energy Safety.

Ms. Ritzman asked about the assessment of the durability of the Wildfire Fund and if the CEA has ever changed their calculations based on the reports.

Ms. Ackerman stated the CEA runs a Sensitivity Analysis based on the results of the reports and has assessed things where mitigation is good.

Vice Chair Rosenstiel asked if the analyses factor into the Administrator's evaluation of the appropriate CWF retention for the three utilities.

Ms. Ackerman stated the Retention Analysis was built off the Durability Analysis. These types of sensitivity tests are generally consistent and do have an impact.

Public Comment

There was no public comment.

C. Claims Administration – George Sittner, Chief Insurance and Claims Officer

Chief Insurance and Claims Officer George Sittner presented his report.

Wildfire Monitoring and Reporting 2020-24:

- Part of the CEA's responsibility as Administrator is to monitor wildfires that might expose the Wildfire Fund.
 - There were no fires in 2023 or 2024 to date that expose the Wildfire Fund.

- The CEA continues to monitor loss estimates for four key wildfires: the 2019 Kincade Fire, the 2020 Zogg Fire, the 2021 Dixie Fire, and the 2022 Mosquito Fire.
 - Nothing has changed in the estimates in the last year in terms of exposure to the Wildfire Fund since the last Council meeting.

Implementation of Wildfire Fund Claims Administration Procedures (Dixie Fire):

- PG&E provided the CEA with written notice that claims will be settled in excess of \$750 million.
- Sedgwick Claims Management Services, Inc., (Sedgwick) the CEA's claims review services provider for the Wildfire Fund, has officially entered Phase 2 of the claims administration process, effective October 11, 2023.
- PG&E is sending redacted claims settlement data and documentation, on a claim-by-claim basis as required, using the provisional claims data template supplied by the Administrator, to include individual claims, public entity claims, timber claims, DW4CR claims, and subrogation claims data.
- PG&E, per its 2nd Quarter 2024 SEC 10-Q quarterly report filing, has reported an estimated \$1.6 billion in aggregate liability related to the Dixie Fire. This estimate does not include state and federal fire suppression costs.
- PG&E continues to provide Sedgwick detailed claim settlement data as it becomes available.
- PG&E reached the \$1 billion paid claims threshold amount in June of 2024.
- Sedgwick has requested, and PG&E is providing, detailed claims documentation for a random sample of claims, outliers, and larger claims for review.

Timeline of Wildfire Fund Claims Administration Procedures (Dixie Fire):

- The Dixie Fire occurred on 7/13/2021.
- The IOU reported possible involvement to the CPUC on 7/18/2021.
- Government Entity Determination on 1/4/2022.
- Covered Wildfire Claimant (PG&E).

Next steps in the process:

- Claims are filed against the IOU.
- Claims are settled by the IOU.
 - Insurance companies settle claims with policyholders, then the IOU negotiates and reimburses insurance companies.
 - IOUs are currently settling claims with timber companies, individuals, etc.
- The IOU is now ready to seek reimbursement of the claims filed against the Fund.

- The IOU submits threshold claims.
- The Administrator (through Sedgwick) is in the process of reviewing threshold claims for “reasonable business judgment.”
- The IOU submits eligible claims for reimbursement.
 - The Administrator (through Sedgwick) is in the process of reviewing the eligible claims for “reasonable business judgment.” This process will likely take a year or more to conclude.
- The IOU will file an application with the CPUC to commence a catastrophic wildfire proceeding to determine if the utility acted prudently.

IOU Fire Mitigation Planning:

- The California Public Utilities Code Section 8386 requires electric utilities to develop annual WMPs to prevent, combat, and respond to wildfires within their service territories. These plans document the initiatives utilities propose for reducing utility-caused catastrophic wildfire risk.
- Links to the IOUs’ over 1,000-page WMPs were included in the meeting materials. Themes in the WMPs include strengthening the grid, vegetation management, new technologies, and improved monitoring systems.

Discussion

Ms. Ritzman asked about estimates from past state and federal fire suppression costs.

Mr. Sittner stated fire suppression costs have been reported in the media at approximately \$600 million for both state and federal for the Dixie Fire.

Mr. Welsh stated the need to be careful about giving estimates on contingencies that the utility companies are not yet fully cognizant of and have not been put into their own Securities and Exchange Commission (SEC) filings.

Public Comment

There was no public comment.

5. Plan of Operations (Annual Report): CEA General Counsel Suman Tatapudy will ask the Council to review and consider approval and adoption of the Administrator’s Fifth Annual Plan of Operations (Annual Report) to the Legislature and, if approved, authorize the Administrator to deliver the Fifth Annual Report to the Senate Committee on Energy, Utilities, and Communications and the Assembly Committee on Utilities and Energy.

CEA General Counsel Suman Tatapudy provided an overview of the legislative mandate, timeline, and requirements for the Annual Report to the Legislature. The proposed Annual Report was sent to Council Members on June 17th. No edits were requested or made by Council Members.

Recommendation

- Review and consider approval of the Fifth Annual Report and, if approved, authorize the Administrator to present the Fifth Annual Report to the Senate Committee on Energy, Utilities, and Communications and the Assembly Committee on Utilities and Energy.

There was no Council Member discussion or public comment.

MOTION: Ms. Rossman motioned to approve the staff recommendation. Mr. Morton seconded. The motion carried unanimously by roll call vote.

6. Durability Analysis: Mr. Welsh will lead a discussion related to the recent receipt of multiple requests that the Administrator undertake a modeling analysis of the Wildfire Fund's durability if the Fund were ordered to make up to \$6 billion in distributions to the PG&E Fire Victims Trust.

Mr. Welsh stated several local elected officials in areas deeply affected by the 2017 and 2018 wildfires have requested, on behalf of survivors, that the CEA conduct modeled durability analyses to determine how much shorter the life of the Wildfire Fund would be if the Fund were to make up to \$6 billion in distributions to the PG&E Fire Victims Trust. Assembly Bill (AB) 1054 prohibits the CEA, as Administrator, from using Wildfire Fund assets for any purpose unrelated to the administration and payment of eligible claims arising from utility-caused wildfires ignited on or after July 12, 2019.

Mr. Welsh stated, as sympathetic as it is to the devastating losses that individuals have suffered as a result of catastrophic wildfires, the CEA believes that incurring the significant expense and time required to model the impact on the Wildfire Fund of multi-billion-dollar distributions that would be illegal or unauthorized under current law would constitute an inappropriate use of Wildfire Fund assets.

Mr. Welsh stated the CEA brings policy matters before the Council. This agenda item gives the Council, members of the public, utility companies, and individuals who are beneficiaries of the PG&E Fire Victim's Trust the opportunity to be aware of and to comment on this issue.

Discussion

Mr. Morton suggested hearing from the public first as those comments may answer questions that Council Members have.

Ms. Ritzman noted that a member of her family had a loss in the 2017 fire.

Public Comment

- Julie Kleider, Nurse Leader at Kaiser Permanente.
- Michael Yates, Director of Fairness for Fire Victims, and President of Teamsters Local 665.
- Tom Brower, Redwood Valley.
- Michael Allen, Former California State Assembly Member
- Ryan Williams, Political Organizer, Service Employees International Union (SEIU) Local 1021.

- Tina Reszler.
- Jeff Okrepkie, Insurance Agent and City Council Member, City of Santa Rosa.

Discussion

Mr. Morton stated appreciation for members of the public who took the time and effort to share. He asked Mr. Welsh to review the analysis of the legislation.

Mr. Welsh stated legislation defines eligible claims from covered wildfires, meaning fires that started on or after July 12, 2019. The Wildfire Fund was specifically created to address only post-2019 fires. The other piece of the legislation that creates the biggest impediment for the Administrator is a provision that states the assets in the Wildfire Fund may only be used for authorized purposes and to pay eligible claims. It is clear from the statute that the Legislature's admonition to the CEA as the Administrator is to stay entirely focused on post-2019 wildfires.

Mr. Welsh stated there is a policy rationale for the focus on post-2019 wildfires. The CWF is a result of negotiation and participation by the utility companies, ratepayer advocate groups, and the insurance industry. Ratepayer advocate groups and utility company shareholders, who each put in 50 percent of the capital for the CWF, did so with an understanding and an expectation that this was a future-looking fund and would not be a form of remediation for pre-2019 fires.

Mr. Welsh stated the statute, in a number of different locations, specifically admonishes the CEA as the Administrator to adhere to appropriate utilization of Wildfire Fund assets.

Ms. Tatapudy added that the specific references are Public Utilities Code Sections 3281(e) and (f), which authorizes Wildfire Fund assets to be used to buy insurance or take other actions to maximize the claim-paying resources of the fund and pay costs, expenses, and other obligations of the Fund from Wildfire Fund assets. Those are the two main portions outlining what purposes the Administrator is allowed to use Wildfire Fund assets.

Mr. Welsh stated one of the key legal issues is the expenses need to be related to extending the durability of the fund to create additional time for the utility companies to complete all the mitigation work that they have underway. It is difficult to see a distribution on account of historical victims as anything short of shortening, not extending, the durability of the Fund. That is the crux of the matter. It does not take a durability analysis to see that the life of the Fund will be shortened if \$6 billion is used to enhance recoveries to the fire survivors of the PG&E Fire Victims Trust. That is at the root of why the CEA's hands are tied and it would not be appropriate.

Mr. Morton asked for more information about what it would take to do a durability test to include years 2017 to 2019, considering that Mr. Yates indicated that the Teamsters would be willing to contribute to pay for the study.

Mr. Welsh stated it takes a combination of two things: one is an out-of-pocket expense of approximately \$300,000 to secure the licenses from wildfire modeling companies so the models can be used for the purpose of assessing the durability impact of these distributions, and the other is staff time, most notably the Chief Risk and Actuarial

Officer and potentially a consultant. The CEA currently manages the CWF and the Earthquake Fund. It covers its own expenses.

Ms. Ackerman added that, because the CWF is fully described in statute, the financials are published online and are transparent. An outside consultant with access to a wildfire model could do the analysis on behalf of the individuals who requested it today, completely independently of the CEA.

Mr. Morton asked about the timeframe of a durability test because, if it will take legislative action, the legislative session is ending soon.

Mr. Welsh stated it would take eight weeks or longer, depending on the license negotiation process.

Vice Chair Rosenstiel thanked the members of the public for their comments. He noted that the Council is sympathetic to the problems individuals are facing. He stated he was working in the Governor's Office during the development of AB 1054. He provided additional detail on where the idea for AB 1054 came from and why it ended up being drafted the way that it was.

Vice Chair Rosenstiel stated the issue that AB 1054 addressed was the concept of inverse condemnation that had made it impossible for PG&E to deal with its liabilities without seeking bankruptcy protection. After PG&E declared bankruptcy, it became an immediate necessity that the Governor address the issue of PG&E's bankruptcy. The word that was coming from the financial community and in particular the three rating agencies was that the problem of inverse condemnation was something that could eventually affect the other two utility companies as well.

Vice Chair Rosenstiel stated his job was dealing with the rating agencies and the investment community as AB 1054 was being put together. He stated he spent many hours talking to rating agency officials, who said that inverse condemnation is inconsistent with investment-grade ratings. It was inconsistent because it had turned the utilities from utility companies into insurance companies. That was inconsistent because they were not capitalized as insurance companies. This needs to be kept in mind. The whole point was that AB 1054 effectively created the insurance company that the rating agencies said was needed because the utilities themselves were not insurance companies.

Vice Chair Rosenstiel stated, from that standpoint, it is not entirely accurate to say that there is money sitting there that is not being used. That money is capitalizing an insurance company, just like the CEA has other money that is sitting there that capitalizes its earthquake insurance side or any private insurance company has capitalization that is set aside. To suggest that because the money is sitting there, it can be used for something other than its insurance purpose is stretching things a little bit.

Vice Chair Rosenstiel stated the reason the Governor's Office and the Legislature were concerned about the utilities perhaps not being investment grade or being in bankruptcy was because the state of California wants the utilities to invest in hardening their systems. That has been the focus. That is what this Council continues to ask about.

Vice Chair Rosenstiel stated the concept was that this insurance scheme that was created would give the utility companies time to invest in the hardening. Utilities invest

by borrowing money. When they borrow money, the cost for them to borrow the money is a function of what their credit strength is. When the rating agencies and the institutional investors say that the utilities are weak and not good credit risks, then the cost to raise that money goes up and cost of that money gets passed on to ratepayers. It is not something that comes from the stockholders of these three companies, but it is passed on as a legitimate business expense to the individuals who pay for power from these utilities – the ratepayers of investor-owned utilities.

Vice Chair Rosenstiel stated it was important from a public policy standpoint for the utility companies' credit quality to stabilize and that the utilities invest in hardening. That is what AB 1054 did. It is true that there are billions of dollars sitting in the CWF. It is also true that this money is there for insurance purposes. While it would be possible to take that money out by changing the legislation, it would send a different message to the rating agencies about the state of California's commitment to address the problem that it sees exists because of inverse condemnation. The Legislature has chosen not to change inverse condemnation; the creation of the CWF was the alternative that the state pursued.

Vice Chair Rosenstiel stated it is premature to say that the problem has been solved by the creation of the CWF. The Fund has only been in existence for four full years; it is unknown whether there will be another large wildfire. The hardening of the three utilities has not been completed but is a work in progress. When the legislation was enacted, the Fund was expected to last for the 10 to 15 years necessary to do the hardening. To claim victory after a few years is premature. One indication of that is that, while PG&E has gotten out of bankruptcy, PG&E still does not have investment-grade ratings. PG&E's noninvestment-grade ratings cost of borrowing goes up because there are many investors who will not buy.

Vice Chair Rosenstiel stated the need to think about the message it would send for this Council to suggest that this is something to consider. The Council cannot prevent individuals asking the Legislature to change the legislation, but that would send a potential message to the capital markets that the state of California is not as serious about addressing the weaknesses created by the existence of the inverse condemnation approach when we are only four years out from when the CWF was first set up.

Chair Ghilarducci echoed the appreciation for the members of the public who spoke. He stated that, on the surface, it seems like it makes sense and is logical, but unfortunately many things are far more complex. He encouraged members of the community to stay in contact with their legislators to look for other potential changes and solutions to continue to try to address this. The Council takes what was shared seriously. Public comment is helpful to the work of the Council.

Mr. Welsh thanked everyone who took the time to share their comments at this meeting.

Additional Public Comment

- Chris Rogers, City Council Member, City of Santa Rosa.

7. Administrator Evaluation: Council Member Khaim Morton will give an overview of the process used for the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2023. Mr. Welsh will present the comments received from the Council on CEA's performance.

Mr. Welsh stated, at the last CCRC meeting, Mr. Morton volunteered to work with CEA staff to go through the annual review process so the Council could evaluate the CEA's performance as Administrator of the Wildfire Fund during 2023. The survey responses were included in the meeting materials.

Mr. Morton stated he worked with CEA staff to review and refresh the survey questions used the previous year to help facilitate this year's evaluation. Major changes included eliminating the Strategic Development category and consolidating that category's evaluation criteria with the Leadership and Culture category, and further refining the criteria in the Council Relations and Claims Administration categories.

Mr. Morton stated the intentions for these changes were to more finely tune the categories and related criteria to better reflect the core responsibilities and activities of the CEA as the Wildfire Fund Administrator and to make the evaluation more user-friendly for Council Members. He reviewed the survey categories:

- The Leadership and Culture category focused on the organizational stability and effectiveness of the staff that supports the work of the Wildfire Fund.
- The Financial Leadership category focused principally on investment management and cost controls.
- The Council Relations category focused on how the CEA is doing in supporting the Council's important oversight role.
- The Claims Administration category focused on the CEA's preparedness to handle claims.
- The Enterprise Risk Management category focused on how the CEA is doing in identifying, managing, and mitigating enterprise risks that could adversely impact the Wildfire Fund.
- The Overall Performance category focused on holistically evaluating the CEA's overall performance.

Mr. Morton thanked Council Members for sharing their thoughts on the CEA's performance last year.

Mr. Welsh thanked Mr. Morton for working with staff on this evaluation. He stated staff was pleased with the outcome of the evaluation. He responded to Council Members' comments on the survey materials, such as discussing the CEA's commitment to diversity, equity, and inclusion, continued collaboration with the Department of Water Resources (DWR) on non-bypassable charges (NBCs), more robust Council discussions, and proactive collaboration on important developments. The overall scoring demonstrates a level of confidence in the CEA's ability as Administrator. He ensured that the CEA will not become complacent but will continue year after year to

maintain that level of trust and confidence that the Council has in the CEA. He thanked the Council on behalf of the CEA team for their evaluation.

Discussion

Ms. Rossman stated appreciation for Mr. Morton's leadership in this matter and for undertaking this task.

Public Comment

There was no public comment.

8. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of June 30, 2024.

Chief Financial Officer Tom Hanzel reviewed financial highlights from the past quarter. He noted that the financial activity for the CWF is broadly delivering what was expected when the legislation was signed regarding how the inflows and outflows would work. The goals of the legislation and the continued growth of the financial strength every year continues to be achieved.

2024 Approved Budget vs 2024 Actual Activity:

- NBCs from ratepayers were approximately \$406 million for the first six months of 2024, which was approximately \$2 million greater than expected in the budget. Weekly transmissions continue to be submitted as expected.
- Investment Income (net of expenses) is approximately 8 percent greater than budgeted and about double the prior year at \$156 million. As new funds are received, they are being invested at a higher rate. Also, securities from the original funds received are maturing and they are being invested at higher rates. The investment return is expected to continue to increase for another year or two.
- Personnel Expenses were \$160k versus \$235k budgeted and \$186k the prior year. Approximately 20 CEA staff work with the CWF for an average of 1.3 full-time equivalents focused on the Fund.
- Under General and Administrative Expenses, other contracted and consulting services were approximately \$413,000, lower than the \$1.2 million budgeted but higher than prior year. This relates to the third-party consultant Sedgwick that is helping with claims administration. This expense will continue to increase this year and roll into next year as Sedgwick reviews the claims from the Dixie Fire.
- Year-over-year, the direct expenses for the CWF is approximately \$1 million lower than planned. The total deductions to fund assets for the first half of the year was \$1.1 million while the budgeted amount was \$2.1 million.
- Change in Unrealized Gain/(Loss) was a loss of \$73 million, driven by interest rates.

Balance Sheets:

- Total Assets increased year-over-year by approximately \$1.57 billion, to approximately \$12 billion at the end of June. The increase was primarily driven by the receipt of NBCs from ratepayers of approximately \$900 million and approximately \$300,000 of IOU annual contributions that comes through every December, and investment income minus expenses.
- Loss and Loss Adjustment Expense Reserves were \$600 million for the Dixie Fire related to PG&E, based on their current public financials. More claims are forthcoming against the CWF related to fire suppression and maybe other losses.
- The Wildfire Fund's Total Net Position increased approximately \$971 million year-over-year.

Contributions and NBCs Received – from Inception through June 30, 2024:

- Approximately \$325 million in NBC funds were received February through June of 2024 from the DWR, which collects the funds from the IOUs. A change from paper-based monthly payments to electronic weekly payments began in January of 2024.

Investment Analysis:

- The CWF's total portfolio market value as of June 30, 2024 was \$11.87 billion, with an average duration of 3.56 years and average credit rating of "AA." There was no movement on the credit quality. The CWF is still focused on the preservation of principal and not adding additional credit risk.
- The duration continues to increase, as more funds were received and maturities were reinvested for a longer term. This will extend further as more maturities are reinvested at higher rates for longer periods of time.
- The Income Return Net of Fees has increased from 2.29 percent a year ago to 2.72 percent. This improvement continues to be seen every month.
- Yield to Maturity is basically flat year-over-year at 4.76 percent, but has been moving monthly, especially over the past number of weeks.

Unrealized Losses:

The change in unrealized losses has been due to the benefit of a time of items maturing and getting closer to maturity but also seeing rates decreasing. The unrealized loss position has decreased from approximately \$961 million of unrealized losses a year ago to, as of yesterday, down to \$576 million. It is rolling off faster than anticipated. This amount will continually fluctuate with the underlying treasury rate. 2024 Requests for Qualifications (RFQs):

- CEA staff issued RFQs for investment managers for the CEA and the CWF to reduce the number of current investment managers, and for a financial advisor for the CEA and the CWF.
- 41 investment management firms and 1 financial advising firm responded. Based on evaluation of the proposals, the RFQ Selection Panel selected 14 investment

management firms with expertise and depth of experience and with robust systems for trading, compliance, reporting, and recovery. The 14 investment management firms and the 1 financial advising firm were approved at the June CEA Governing Board meeting and entered five-year contracts with the CEA.

Discussion

Ms. Ritzman stated, in the discussion on Agenda Item 6, there was a discussion of \$300,000 to secure the proprietary licenses for the wildfire modeling. She asked where the license fees fit in the 2024 Approved Budget vs 2024 Actual Activity chart.

Mr. Welsh stated that was a comment about what it would cost to do a durability analysis. Currently, the CEA has a relationship with reinsurance brokers who are paid if reinsurance is purchased. If it is found that buying reinsurance will extend the durability of the CWF, then reinsurance brokers would be taken into consideration to buy reinsurance. The current modeling is essentially built into that relationship. They own the models and the CEA would collaborate with them on doing those durability analyses. If the CEA was to begin doing durability analyses untethered to that relationship, that is what would cause the additional fees.

Ms. Rossman stated she asked for additional detail at the last meeting about the charges that the DWR takes in administering the payments from the IOUs and transferring them to the CWF. Council Members were offered an opportunity to have an in-depth session with the DWR to look at what the charges amount to and other details.

Ms. Rossman stated she, Mr. Morton, and Ms. Van Houten went to the in-depth session with the DWR. Ms. Rossman shared what she learned. The main reason is that what was behind the \$5 million per year charges that the DWR has been taking for administrative and operating expenses has always been opaque. The more the DWR takes out, the less there is in the CWF.

Ms. Rossman stated the DWR charges the CWF \$3 million per year for labor, which equals 11 full-time equivalents (FTEs). As a comparison, the CEA charges \$400,000 per year, which equals 1 FTE. This seems disproportionate because the DWR plays a simple role of collecting revenue from the utilities, keeping track of it, and transferring it to the CWF. She stated the DWR went to great lengths to justify these charges, but, given her firsthand, professional experience in finance operation, it should not take anywhere near 11 FTEs to do that work.

Ms. Rossman recommended inviting the DWR to present at the November CCRC meeting and provide more detail on the labor cost allocation of 11 FTEs and how they can reduce the expenses that come out of the NBCs, and present a lower budget. She suggested that, if the DWR does not agree to greater transparency and prove that it takes that many people to provide the service, the Council should request an outside consulting firm to audit that labor allocation, make independent recommendations on the staffing requirements for these functions, and identify opportunities to gain efficiencies.

Ms. Van Houten spoke in support of Ms. Rossman's recommendations.

Mr. Morton agreed and asked that the DWR better explain their process as the funding flows through.

Mr. Welsh stated the DWR has agreed to present at the November CCRC meeting.

Public Comment

There was no public comment.

9. San Diego Gas & Electric Presentation: San Diego Gas & Electric Senior Counsel Laura Fulton will provide an overview presentation on San Diego Gas & Electric's wildfire mitigation activities.

Senior Counsel Laura Fulton, San Diego Gas & Electric (SDG&E), stated she supports the SDG&E Wildfire Mitigation Program and oversees the legal and regulatory aspects of the WMP and submissions, regulatory procedures of the CPUC and Energy Safety, and most of the company's compliance with safety certification requirements. She provided a slide presentation overview of SDG&E's WMP, including the approach to system hardening, situational awareness, vegetation management, and public safety power shut-offs (PSPS).

Ms. Fulton stated San Diego County continues to have the highest wildfire risk of any county in the United States. After the Witch Fire of 2007, SDG&E committed to a renewed focus on wildfire safety and continued operational enhancements and excellence, including a renewed safety culture and developing infrastructure improvements including a first-of-its-kind utility weather network, and infrastructure improvements designed to enhance wildfire safety.

Discussion

Mr. Morton thanked Ms. Fulton for her presentation and stated the Treasurer's Office would like the opportunity to follow up offline, particularly about SDG&E's use of technology and innovation, AI, and how it may be directing more of the opportunities for capital toward some of those areas or other companies to help mitigate risks currently being seen and in using AI and modeling scenarios to try to eliminate risks.

Ms. Fulton stated the meteorology team will be happy to follow up offline.

Mr. Cash stated appreciation for the work SDG&E is doing to mitigate fires in its service area. He stated 180 miles of undergrounding have been completed since 2020 with a goal of 125 this year, 150, and then up to 170 by 2027. He asked what SDG&E is doing to ramp up that quickly, since 60 and 80 miles were completed over the last two years.

Ms. Fulton stated SDG&E is in the middle of a general rate case where other things may be decided on that, but SDG&E has implemented a project management organization that has ramped up the undergrounding approach and created new efficiencies. SDG&E has also tried to find new efficiencies in permitting and planning to use models to scope work well in advance for permits and land rights and negotiating new routes that do not directly follow existing easements. These are some of the improvements and enhancements.

Ms. Fulton stated SDG&E has, through that scale, found new cost efficiencies to lower undergrounding costs more and more. SDG&E decided to use a shallower trench depth that has reduced costs, which has been helpful in making undergrounding as cost-efficient and cost-effective as possible.

Vice Chair Rosenstiel stated he visited the SDG&E facility several years ago and noted that the amount of work SDG&E was doing was almost overwhelming. He asked about hardening and undergrounding. It looks like, through 2032, the expectation is that, by the end of that time, SDG&E would have 65 percent of its miles undergrounded and 35 percent unhardened or hardened in a different way. He asked if the 65 percent is a constraint because of finances or the inability to do that work or that, based on analysis, no more than 65 percent is necessary to fully harden the system.

Ms. Fulton stated it is more a function of the understanding of risk and the overall risk reduction goal. SDG&E targeted an almost 99 percent wildfire risk reduction at the end of that period, but 83 percent of that is through hardening. Undergrounding is expensive; SDG&E aims to use it where it is most cost-efficient. When trying to achieve a balance between costs and reducing risk versus determining if the goal is to eliminate risks or to reduce it to a reasonable point, the understanding is that the 65 percent of undergrounding alone achieves that 83 percent risk reduction through hardening and also eliminates the vast majority of PSPS impacts. A good portion of the HFTD is already underground due to new build, not through the strategic hardening programs. Ultimately, it is not that SDG&E set a budget; it was that it understood and found a balance of risk reduction and cost.

Public Comment

There was no public comment.

10. Public Comment: The Council will invite public comment on matters related to the Wildfire Fund that do not appear on this agenda and to make requests that matters be placed on a future Council meeting agenda.

- Michael Allen, Former California State Assembly Member

11. Adjournment.

Chair Ghilarducci thanked everyone for participating and adjourned the meeting at 4:03 p.m.

CALIFORNIA EARTHQUAKE AUTHORITY
WILDFIRE FUND ADMINISTRATOR

PUBLIC MEETING OF THE
CALIFORNIA CATASTROPHE RESPONSE COUNCIL

PARTIAL TRANSCRIPT -
PUBLIC COMMENT RECEIVED DURING THE MEETING

HOSTED BY THE CALIFORNIA EARTHQUAKE AUTHORITY
400 CAPITOL MALL
SUITE 670
SACRAMENTO, CALIFORNIA

MONDAY, AUGUST 12, 2024
1:00 P.M.

Recorded by: Ramona Cota

APPEARANCESCalifornia Catastrophe Response Council Members:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom

Khaim Morton, designee of State Treasurer Fiona Ma

Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot

Tracy Van Houten, appointee of the Speaker of the Assembly*

Kathleen Ritzman, appointee of the Senate Committee on Rules

Paul Rosenstiel, Vice Chair, Public Member

Rhoda Rossman, Public Member

Catherine Barna, Public Member

*Participated remotely

Members of the CEA staff in attendance:

Tom Welsh, Chief Executive Officer

Shawna Ackerman, Chief Risk and Actuarial Officer

Tom Hanzel, Chief Financial Officer

Catharine Shaw, Communications Coordinator

George Sittner, Chief Insurance and Claims Officer

Suman Tatapudy, General Counsel

Susan Johnson, Governance Liaison

APPEARANCESMembers of the Public Offering Comment

Michael Allen*

Julie Kleider

Michael Yates, Director of Fairness for Fire Victims
and President of Teamsters Local 665

Tom Brower

Ryan Williams, Political Organizer*
Service Employees International Union (SEIU) Local 1021

Tina Reszler*

Jeff Okrepkie, City Council Member*
City of Santa Rosa

Chris Rogers, City Council Member*
City of Santa Rosa

*Participated remotely

PROCEEDINGS

1:18 p.m.

2. Minutes: Review and approve the minutes of the February 29, 2024, meeting of the Council.

MR. ALLEN: Yes. I'll keep my comments short.
My name is Michael Allen.

(Mr. Allen muted himself.)

MS. SHAW: Michael, you have muted yourself again, could you please unmute. Thank you.

MR. ALLEN: Okay. I don't know how that happened. Anyway, I was trying to introduce myself. I represented the North Bay for the Assembly; I was the Assistant Majority Leader. I also work with many of the working families in this area that was devastated by the Tubbs Fire, the subsequent fires.

And so, I know you're going to be considering doing a durability analysis to see if we can help some folks here because a lot of people only got compensated 70 cents on the dollar, so we have a lot of economic dislocation up here and it would be such a great help if this could be done. I understand that to be prudent you have to, you would have to do this kind of durability analysis. But I would plead with you to look at it to do what we can for these folks. And thank you.

CHAIR GHILARDUCCI: Okay, thanks, Michael.

(The meeting continued but was not transcribed.)

2:12 p.m.

6. Durability Analysis: Mr. Welsh will lead a discussion related to the recent receipt of multiple requests that the Administrator undertake a modeling analysis of the Wildfire Fund's durability if the Fund were ordered to make up to \$6 billion in distributions to the PG&E Fire Victims Trust.

JULIE KLEIDER: Hello, everybody. I'm Julie Kleider and I'm here with my husband, Kevin. We are survivors of the Tubbs Fire in 2017. I'm really sorry for your family. We're lucky to be here. We had no warning so we ran from a burning house. Our children made it out, our animals, and us. During that time, you know, at that point we're in gridlocked traffic, right, because there was no warning. I'm freaking out, wondering if we're going to make it. And I'm also a Nurse Leader at Kaiser Permanente. We were starting to evacuate the hospital because the fire was surrounding the hospital. We did make it out, but I spent the next five days working the Command Center at the hospital, sleeping inside of a hospital that's surrounded by firemen trying to protect us from the fire. My husband was out there saving animals - cows, horses - everything to help our community.

I just wanted to put that into context because, you know, this wasn't a lightning strike, it wasn't arson.

1 PG&E was neglectful with, you know, how they provided
2 service to us, and it was very traumatic.

3 We lived in a trailer for a couple of years. We
4 have three dogs and - take a note. Nobody wants to rent to
5 you if you have three dogs and so we lived in a trailer
6 while rebuilding.

7 Right before the fire my husband brought home his
8 250 crab pots because he's a commercial fisherman - diver -
9 and it was going into crab season. We lost all of it in
10 the fire; and insurance doesn't cover your business costs.

11 Unfortunately, our contractor, like everyone
12 else, was trying to make money off of the situation, so he
13 would show up for a day, we'd give him like \$100,000 to
14 continue building. He would be gone for months because he
15 had like 10 or 15 jobs going. My husband stopped working
16 and with, you know, a few subcontractors he has been
17 building our home. And I'm fortunate that I have that.
18 And he is just now going back to work seven years later.
19 We still don't have a backyard; we still don't have a
20 fence. When our three-year-old grandson comes over, we
21 play inside because, you know, it's dangerous otherwise.

22 Houses have not rebuilt in our neighborhood.
23 Both neighbors on each side of us have left. One has
24 traumatic, you know, PTSD from the fire. She moved to
25 Arizona. And the other two gentlemen, one of the husbands

1 died. This was their dream home and so the husband didn't
2 move back.

3 You know, we just, we see so much trauma in our
4 community. We also had to - just to let everyone know -
5 evacuate Kaiser Permanente again from the Kincaid Fire.
6 And talk about trauma to a community. You're trying to
7 find -- I'm an oncology nurse and I'm trying to find
8 chemotherapy for your patients, life-saving measures, when
9 hospitals are evacuating. We can't hire physicians. I've
10 been trying to hire a gastroenterologist, a cardiologist,
11 and an oncologist for three years. Nobody wants to move to
12 Sonoma County because of these fires. You can still see
13 the destruction.

14 So, we're here on behalf of our community, not
15 just for ourselves. We've all lost our insurance coverage;
16 we've all had to go to the FAIR Plan. It's double if not
17 triple. Our car insurance is double. And people are just
18 trying to survive.

19 So, on behalf of everybody, and I'm sorry I'm
20 emotional, this is so much harder than I imagined. I'm
21 grateful, again, that we have our lives, but we really are
22 asking for that additional 30 percent. Seventy cents on
23 the dollar is not, that is like a really big deal for so
24 many people to rebuild their homes. We have homes in our
25 neighborhood half built and they've stopped. And so I

1 just, I hear everybody and I urge you to consider it so
2 people can have their lives back. Thank you.

3 CHAIR GHILARDUCCI: Thank you. Appreciate it.

4 MICHAEL YATES: Hi, my name is Michael Yates. I
5 am the Director of Fairness for Fire Victims, and I am also
6 the President of Teamsters Local 665.

7 Speaking on behalf of the durability analysis,
8 when the Legislature passed AB 1054 it was unclear whether
9 the IOU system would survive or if it would be overwhelmed
10 by fires. They estimated that there would be so many
11 claims with the CWF that it would be fully depleted in 10
12 to 15 years. So, accordingly, they did not believe PG&E
13 bankruptcy victims could be included.

14 Fortunately, AB 1054's carrot and stick approach
15 has succeeded beyond anyone's wildest dreams. There still
16 has not been any claims made on the Fund, so we are in a
17 wonderful position to be able to include the fire victims
18 who have suffered the most through PG&E's bankruptcy
19 victims. In this Fund we want, we want to work with the
20 Legislature to make sure that this is done in a way that
21 does not increase the rates or negatively affect the IOUs'
22 credit rating. This will, this will not just make the
23 victims whole, it will have an incredible impact on the
24 whole community.

25 I also am from Santa Rosa and we ran to help out

1 not just my members and all the union members, we helped
2 out the entire community. We partnered with all the
3 businesses, union or non-union, to work together to help
4 the community through the fire. We ran a site out of my
5 building for three months just taking care of fire victims.

6 I firmly believe in this. I was not directly
7 impacted. Some of my family was a little. But this has
8 devastated our community. And we are even willing with
9 fire victims -- The Fairness for Fire Victims, we do not
10 believe it is illegal to run the durability study, but we
11 are willing to entertain paying for the durability study,
12 if you do believe that. Thank you.

13 CHAIR GHILARDUCCI: Thank you very much. Sir.

14 TOM BROWER: Hi, my name is Tom Brower. I'm from
15 Redwood Valley, California, and my kids and I are victims
16 of the 2017 Redwood Complex Fire. I'm afraid I'll just
17 repeat a lot of things that everybody has said so far, but
18 our fire was a huge impact on the Redwood Valley community
19 as well as the Potter Valley community.

20 To this day, I can tell you that most people have
21 not even come close to fully recovering. We expect 70
22 cents on the dollar but that's like 2017 dollars. You
23 know, we got hit by the pandemic; then we got pretty
24 runaway inflation. Everything costs more. The 70 cents I
25 think is more like 50 cents or maybe 60 cents to the

1 dollar. So, that's why we're pleading for help.

2 And we see this big pot of money. And no fire
3 victim wants to see it irresponsibly depleted, honestly. I
4 don't. I'm a former firefighter myself. And, you know,
5 the fund is really a good thing. But I would plead that
6 you consider the possibility of doing a durability study
7 and possibly a legislative fix to get around the statute
8 and help us. That's really all I have to say.

9 CHAIR GHILARDUCCI: Thank you.

10 MR. BROWER: Thank you so much.

11 CHAIR GHILARDUCCI: Appreciate it, thank you.

12 Any other public comment from in-person comment?
13 All right, seeing none maybe we could go for another
14 online, please.

15 MS. JOHNSON: Mr. Chair, we have four members of
16 the public waiting to speak online.

17 If any other members of the public wish to
18 comment, please press *9 on your phone or click the Raise
19 Hand button on your Zoom app.

20 Michael Allen, you will be unmuted. Please go
21 ahead.

22 MICHAEL ALLEN: Thank you. Well first of all, I
23 just want to thank the Board because I found this meeting
24 very educational and helpful to me to understand the
25 situation.

1 The one thing I would suggest is that if the
2 Administrator is feeling tethered by the existing statute,
3 I know that basically both the Governor and the Legislature
4 could be approached to provide for this situation. I know
5 that the Senate President Mike McGuire is from our area.
6 He was, he was out there with the firefighters during our
7 last two fires a few years ago helping evacuate homes and
8 he's very aware of the situation here.

9 So, to me, sometimes what happens is when you do
10 legislation, you do it in anticipation of the facts that
11 are known. And then when you look back in retrospect, you
12 can see that you've left, unintentionally, communities left
13 on their own where they really are dealing with
14 construction costs that have doubled or tripled since the
15 time of the fire and with shortfalls. And so to me, even
16 if there is a feeling that the legislation has you tethered
17 and you cannot do the durability study, I think by working
18 with both the Governor and the Legislature the statute
19 could be written to allow it to have that study done so
20 that we could effectuate what the real purpose of what
21 we're trying to do here is to bring help and relief to
22 those people who've been damaged by the fires caused by the
23 utility companies.

24 So, in closing, I just want to thank you because,
25 really, I felt that today, I followed the meeting closely

1 and I found it very educational and I want to thank you for
2 all your service, both staff and the Board Members. That
3 concludes my public comments. Thank you.

4 CHAIR GHILARDUCCI: Thank you, sir.

5 MS. JOHNSON: Ryan Williams, you will be unmuted
6 and able to speak.

7 RYAN WILLIAMS: Hello, my name is Ryan Williams.
8 I am a resident in Sonoma County and a Political Organizer
9 for SEIU 1021 in the North Bay. SEIU 1021 represents
10 workers of the county of Sonoma and Napa and in the cities
11 of Santa Rosa and Napa, amongst other jurisdictions.

12 Our members were on the front lines of the
13 multiple fires between 2015 and '18 in the north, in
14 Northern California, not only at work but at their homes.
15 We had, we had multiple members lose their homes and they
16 continued to work heroically to help victims and residents
17 in the counties and cities.

18 Like other speakers who have already told their
19 stories, it has been years of trauma, years of extra work,
20 years of lost pay due to these fires that were caused by
21 the negligence of one, one company in particular.

22 And our ask is that the Fund -- sorry. Our ask
23 is that, you know, we look at the durability study. This
24 fix will have zero impact on the state budget. It can be
25 done in a way that will preserve the health of the

1 California Wildfire Fund for future needs. And as already
2 mentioned earlier in the meeting, to this day the
3 California Wildfire Fund remains fully funded and has not
4 been accessed thus far. So, we hope that not only is the
5 durability study done, but outreach is done, as former
6 Assembly Member Michael Allen just said. That we do
7 outreach to Members of the Assembly and Senate and to the
8 Governor to complete any kind of legislative fixes that are
9 needed. Thank you to the staff and to the Members of the
10 Board for taking the time to adding this to the agenda and
11 to listening to our proposed solution to the underfunded
12 compensation to the victims of these fires. Thank you.

13 CHAIR GHILARDUCCI: Thank you. Appreciate it.

14 MS. JOHNSON: Mr. Chair, Tina Reszler is waiting
15 to speak. Tina, please go ahead.

16 TINA RESZLER: Hi there. My name is Tina Reszler
17 and I was a part of the Camp Fire in Paradise, California.
18 And I just want to share that the majority of the towns
19 that were affected by the Camp Fire in Butte County were
20 low income, they were aged adults, and they were people
21 with disabilities. You know, as it stands, there's no
22 guarantee that we will even receive that 70 percent of our
23 award. And when you factor in the tax problem that we're
24 experiencing and all the high lawyer fees, you know, we're
25 truly only seeing just a little over 50 percent of our

1 awards money in our pocket.

2 And just like what the other people had shared in
3 public comment, you know, with the rising costs of
4 everything and being taken advantage of from contractors.
5 I personally was taken advantage of -- a contractor. You
6 know, \$75,000 gone, you know, just like that, and it was
7 part of my rebuild money moving forward to get me back into
8 Paradise.

9 It's just been so extremely difficult since the
10 Camp Fire. The years of trauma are very real. I
11 definitely suffer still to this day the PTSD with this
12 recent Park Fire that almost touched Paradise and Magalia.
13 I didn't realize how much PTSD I actually do suffer. And I
14 have a plan if something happens what, what I can do. But
15 I want to share with you that as simple as that plan was,
16 my brain froze and I wasn't able to grab my dog's leash to
17 put it on my dog to try to evacuate. And it was so
18 difficult for me just to move forward with that simple
19 little task. But I had lost my dogs in, in the Camp Fire
20 and so I don't know about that.

21 But I really appreciate the public comments and
22 you allowing us to kind of share a little bit. I really,
23 really hope and beg that you do the durability study to
24 move this forward because it will greatly help so many of
25 us just at least, at least be able to rebuild some of our

1 lives back. I mean, there is so much that has been taken
2 away, but we can't just leave us hanging like this. We've
3 been completely in the dark with the PG&E bankruptcy for
4 the last few years of what's happening. And just the lack
5 of transparency has really, you know, made people kind of
6 go a little nuts about what's happening here. So, I'm
7 just, I'm really asking you to please consider doing the
8 durability study. At minimum, just do the study and help
9 us to move forward. So, thank you for the public comment.

10 CHAIR GHILARDUCCI: Thank you very much.

11 MS. JOHNSON: Mr. Chair, our next speaker is Jeff
12 Okrepkie.

13 Jeff, you may go ahead; and apologies if I
14 mispronounced your name.

15 MR. OKREPKE: You actually pronounced it
16 correctly, so I appreciate that, thank you.

17 Chair, Vice Chair, Council Members and staff, I
18 appreciate your time today. My name is Jeff Okrepkie. I
19 am a licensed insurance agent for the last almost 20 years.
20 I am a City Council Member for the city of Santa Rosa; and
21 in 2017 I, with my pregnant wife and one and a half year
22 old son, lost our house in the Tubbs Fire.

23 I think it's important to use the proper
24 terminology here. We're not beneficiaries; technically,
25 we're claimants on a bankruptcy. We are not receiving

1 funds from a lawsuit; therefore, it's taxable.

2 Luckily, the California Legislature moved quickly
3 to eliminate taxes on these disbursements, but the federal
4 government is having a hard time getting anything done so
5 we are still subject to federal taxes.

6 When you look at what's going on, getting only
7 about 66 percent, then you add federal taxes, you add
8 lawyers' fees for most people, not all filed pro se, and
9 then, on top of that, you add the fact that some of these
10 lump disbursements move you into a higher tax bracket. Many
11 people are getting less than 50 percent of what they were
12 actually told they were going to be awarded by this Fire
13 Victims Trust. I think it is important to recognize that.

14 Because of that, there has been a severe decline
15 in the economy in Sonoma County as well as in Butte County
16 because of these fires. This is really reflected in the
17 population decline specifically in Santa Rosa and the 80
18 percent population decline in Paradise. Only 20 percent of
19 the people that lived in Paradise at the time of the fire
20 have returned. A lot of that can be attributed to not
21 having enough money to rebuild or enough money to carry on
22 their lives here in California. We all know California is
23 expensive, so a lot of people took their -- essentially
24 took their money and ran because they weren't getting
25 enough in return.

1 I think it is important to focus on the fact that
2 we're not asking for any monetary distributions. Not one
3 cent to be distributed. We're asking for an analysis to be
4 done. An analysis that, as Mr. Yates said, could be offset
5 in costs. And I understand, being in the policy making
6 decision in a much smaller body, obviously, but there's
7 times that happen where things can be presented that are
8 difficult to decide, especially as yourselves not be
9 elected policy makers, it puts you in a difficult position.
10 But what you have the opportunity to hear is undertake an
11 analysis that could be one of the consequential decisions
12 that you could possibly make. I understand that there is
13 the -- the terminology used is that this would be illegal
14 and unauthorized under current law. If you do this
15 analysis and the money is there, as a lot of us believe
16 there would be, you would have a line of legislators to
17 submit bills from all over California. This is a no-
18 brainer.

19 Hopefully, you know, our representative, the
20 State Senate President pro tem Mike McGuire would be the
21 first in line, if not Jim Wood our Assembly Member. But
22 this is something that you have the opportunity to change
23 literal lives. I don't know if in your capacity you have
24 the opportunity to do something like this at this level. I
25 know you can do it with, with fires that are legitimately

1 smaller. You look at the Dixie Fire losses that you put up
2 earlier. Both Camp and Tubbs Fires are ten times that
3 size. So, you have the opportunity to do something that
4 could make you, make you an individual that has benefited
5 hundreds and thousands of people. So, this is something
6 that I urge you to undertake and to work with the community
7 partners and stakeholders in. Thank you.

8 CHAIR GHILARDUCCI: Great, Jeff, appreciate it.

9 MS. JOHNSON: If anyone else would like to
10 participate in public comment please press *9 on your phone
11 or click the Raise Hand button on the Zoom app.

12 Mr. Chair, that is all for public comment on this
13 item.

14 (The meeting continued but was not transcribed.)

15 **2:54 p.m.**

16 CHAIR GHILARDUCCI: Okay. With that then let's
17 move on to Item 7.

18 MS. JOHNSON: Mr. Chair?

19 CHAIR GHILARDUCCI: Yes.

20 MS. JOHNSON: Apologies. We have, we did have.
21 We have one additional request for comment.

22 CHAIR GHILARDUCCI: Okay. Well, let's take it.

23 MS. JOHNSON: Chris Rogers, you may go ahead and
24 speak.

25 CHRIS ROGERS: First of all, I just want to thank

1 you for giving me an opportunity to speak. Sorry I'm a
2 little bit late. My name is Chris Rogers. I'm a Council
3 Member for the city of Santa Rosa. I just wanted to call
4 and support this request. As you know, our community has
5 been through devastating wildfires and anything that we can
6 do, particularly without undermining the rest of our
7 emergency preparedness. But anything that we can do to try
8 to help make sure that people get home and get made back
9 whole is a benefit to our community. So, I just wanted to
10 support the durability analysis and hopefully we can find a
11 path forward.

12 CHAIR GHILARDUCCI: Thank you, sir, appreciate
13 it.

14 With that then, let's move on to Item 7.

15 (The meeting continued but was not transcribed.)

16 2:02 p.m.

17 **10. Public Comment: The Council will invite public comment**
18 **on matters related to the Wildfire Fund that do not appear**
19 **on this agenda and to make requests that matters be placed**
20 **on a future Council meeting agenda.**

21 MS. JOHNSON: To participate in public comment
22 please press *9 on your phone or click the Raise Hand
23 button on your Zoom app.

24 We do have a request for public comment. Sorry.
25 Michael Allen, go ahead and speak.

1 MICHAEL ALLEN: Yeah. I listened to the whole
2 presentation. It helped me understand the whole magnitude
3 of what you're dealing with and all the different aspects.
4 So, I just want to thank you - the staff and the Board.
5 It's a big job you have, and I think that we're going to be
6 dealing with wildfires for a long time into the future,
7 unfortunately. So, I just wanted to let you know that I
8 hung on to the very end to listen to everything and thank
9 you so much.

10 CHAIR GHILARDUCCI: We thank you for that very
11 much.

12 MICHAEL ALLEN: That's it for my comment.

13 (The meeting continued but was not transcribed.)

14 (The meeting was adjourned at 4:03 p.m.)

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CERTIFICATE OF REPORTER

I, RAMONA COTA, an Electronic Reporter, do hereby certify that I am a disinterested person herein; that I recorded the foregoing meeting of the California Catastrophe Response Council and thereafter transcribed the recording.

I further certify that I am not counsel or attorney for any of the parties to said public meeting or in any way interested in the outcome of said matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of October, 2024.



RAMONA COTA, CERT**478



California Catastrophe Response Council Memorandum

November 14, 2024

Agenda Item 3: (Proposed) 2025 California Catastrophe Response Council Meeting Schedule

Recommended Action: Approve 2025 California Catastrophe Response Council Meeting Schedule

Staff recommends approval of the following dates for the Council’s 2025 regular business meetings: February 13th, July 17th, and October 30th.

All meetings are on a Thursday and the recommendation is to start each of the meetings at 2:00 p.m.

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



California Catastrophe Response Council Memorandum

November 14, 2024

Agenda Item 4: Executive Report and Discussion on Key Initiatives

Recommended Action: Information only

CEA Chief Executive Officer Tom Welsh and other executive staff, as indicated, will provide the Council with an executive report on the following key items:

- A. Claims Administration – George Sittner, Chief Insurance & Claims Officer, will update the Council on the status of administering PG&E's claim arising from the Dixie Fire.
- B. Enterprise Risk Management (ERM) – Shawna Ackerman, Chief Risk & Actuarial Officer will report on CEA's ERM program.
- B. Financial Report – Tom Hanzel, Chief Financial Officer, will provide the Council with a financial report on the Wildfire Fund as of September 30, 2024.



California Catastrophe Response Council Memorandum

November 14, 2024

Agenda Item 4A: Claims Administration Update

Recommended Action: Information only

Background

The California Catastrophe Response Council (Council) adopted amendments to the *Wildfire Fund Claims Administration Procedures (Procedures)* on May 4, 2023. It also authorized the Administrator to make periodic non-discretionary, conforming changes to the *Procedures* as necessary to ensure that the *Procedures* conform to any statutory amendments that may be enacted in the future. The Administrator entered into an agreement with Sedgwick Claims Management Services, Inc. (Sedgwick) effective as of January 24, 2022, to provide claims review services for the Wildfire Fund.

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

Wildfire Monitoring and Notification

The Administrator continues to monitor and report to the Council on active wildfires as well as the status of potentially Covered Wildfires in the 2019 through 2024 coverage years. In particular, the Administrator is tracking the reported losses for four major fires—the October 2019 Kincade Fire, September 2020 Zogg Fire, July 2021 Dixie Fire, and September 2022 Mosquito Fire. PG&E's 10-Q report to the SEC for the quarterly period ending September 30, 2024, reports aggregate liabilities of \$1.2 billion, \$400 million, \$1.875 billion and \$100 million for the 2019 Kincade Fire, 2020 Zogg Fire, 2021 Dixie Fire and 2022 Mosquito Fire, respectively. Of these, PG&E has recorded a potential



recovery of \$875 million from the Fund for the 2021 Dixie Fire. There are no known fires that would impact the fund for calendar year 2023, or calendar 2024 year to date.

Although Participating Utilities are eligible to make claims against the Fund for wildfire-related losses exceeding \$1 billion in any coverage year, PG&E has not recorded a potential recovery from the Fund for the 2019 Kincade Fire. It is worth noting that because PG&E was the subject of an insolvency proceeding at the time of the ignition of the Kincade Fire and had not yet emerged from bankruptcy, the Fund will not pay more than 40 percent of the allowed amount of a claim arising from the Kincade Fire.

Dixie Fire Threshold and Eligible Claims Administration Process

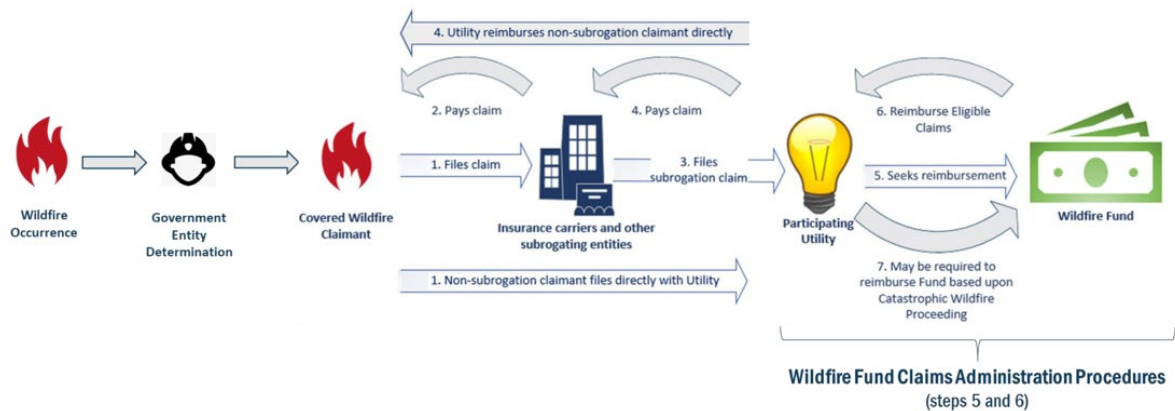
PG&E has been working with Sedgwick to provide detailed claims data and claims documentation for Dixie fire claims through a multi-variable claims data template and a secure data portal for Subrogation Claims, the Direct Payment for Community Recovery process, public entities, timber companies, and individual claims. The data and documentation provided by PG&E has been validated and Sedgwick has been reviewing a sample of claims that have been settled by PG&E.

PG&E continues to settle outstanding claims and has reached the "Threshold Claim" Amount, which is \$1 billion or more, in the aggregate for a coverage year. The Threshold Amount was reached in mid-June 2024.

On September 18, 2024, Sedgwick notified CEA to convey that the Threshold Claim review was complete. Based on the Threshold Claim review, and a review of Eligible Claims paid in June and July of 2024, Sedgwick has determined that all claims meet the criteria for Reasonable Business Judgement.

Upon completion of the reviews for the Eligible Claims, payments have been made to PG&E for Eligible Claims paid in June 2024 in the amount of ~\$39 million, and for Eligible Claims paid in July 2024 in the amount of ~\$34 million.

Sedgwick will continue to review Eligible Claims in accordance with the Wildfire Fund Claims Administration Procedures for reimbursement as outlined in Steps 5 and 6 below.



Next Steps

CEA staff will report on the status of work by the claims review services provider, wildfire monitoring, investor-owned utility's progress on wildfire mitigation, and the execution of other elements of the *Procedures* during this Council meeting.



California Catastrophe Response Council Memorandum

November 14, 2024

Agenda Item 4B: Enterprise Risk Management Program

Recommended Action: Information only

Risk Reporting

The scorecard for this reporting period is presented below and provides the status of each priority risk. The column named Residual Risk Score indicates the current risk status after controls have been applied.

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
Wildfire Modeling	Distorted or incorrect view of Wildfire Fund durability due to invalid, inaccurate, or outdated methods or assumptions in external or internal wildfire models	High	Strong	Medium
Workforce	Adverse impacts to the administration of the Wildfire Fund that occur due to a workforce issue or constraint at CEA	Medium	Strong	Low
Mitigation	Durability of the Wildfire Fund is dependent on successful mitigation activities which are outside the direct control of CEA as the Wildfire Fund Administrator but that must be monitored	Medium	Medium	Medium
Risk Transfer	Reasonably priced risk transfer products for wildfire cover are not available when needed	Medium	Strong	Low

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
Reputation	Public's loss of confidence in CEA as Administrator of the Wildfire Fund or loss of confidence in the ability of the Wildfire Fund to meet its objectives	● Medium	● Strong	● Low
Legislative/ Regulatory	Legislative, regulatory, or political actions that materially change the Wildfire Fund Administrator and/or Council's ability to fulfill its current obligations or mission	● Medium	● Strong	● Low
Legal	Harm to the Wildfire Fund resulting from (a) disputes with third parties, (b) regulatory/legislative enforcement actions, and/or (c) compliance lapses	● Medium	● Strong	● Low
Investments	Losses to the Wildfire Fund due to failure to adhere to established investment guidelines and/or performance objectives not achieved	● Medium	● Strong	● Low
Information Security	Losses due to unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information and/or accessibility of IT systems	● Medium	● Strong	● Low
Financial Reporting	Inaccurate financial accounting or reporting or inadequate controls that result in a material error in published financial statements	● Medium	● Strong	● Low
Claims Management	Issues, conflicts, or delays arising from or associated with IOU claims management	● Medium	● Medium	● Medium
Business Continuity	Loss of business systems causing limited or delayed continuity of the California Wildfire Fund essential business functions	● Medium	● Medium	● Medium



Risk and Compliance Committee

November 3rd through 9th is Corporate Compliance Week. To remind staff of the importance of compliance and ethics, the Compliance Team is having a “Coffee with Compliance” where staff can meet with the Team and ask questions. Staff will also be required to re-read the Code of Conduct and complete an “Ethical Behavior at Work” training. The Internal Communications team will be rolling out a video for staff to review called Never Stop Searching (Speak Up).

The Risk and Compliance Committee continues to encourage policy compliance by working with departments in updating, improving and implementing robust policies as well as ensuring staff read policies as assigned and completes ethics training annually.

IT Systems and Data Security

System and Organization (SOC) 2 is a 3rd party audit of an organization’s controls relevant to security, availability, processing integrity, confidentiality, and privacy. Organizations typically provide SOC 2 reports to customers, partners, and other stakeholders who entrust them with their sensitive data. These groups often require detailed information about their security and privacy controls and assurances that those controls are in place and effective, which the SOC 2 report provides. CEA’s Information Security Team reviews SOC 2 reports for suppliers annually to assess and manage security risks associated with the partnership. Additionally, CEA is pursuing its own SOC 2 certification, so it can provide the same level of information and assurances for stakeholders that entrust CEA with their sensitive data.

The SOC 2 certification is a 2-phase process:

- SOC 2 Type 1: Evaluates the design of security processes at a specific point in time
 - This is complete; CEA earned Type I Certification on June 30, 2024.
- SOC 2 Type 2: Evaluates the operational effectiveness of these processes over an extended period (usually 6-12 months).
 - This is in process; CEA’s Type II Testing Period is July 1-December 31, 2024. Audit testing will take place in early 2025 and CEA should have the final Type II report and Certification prior to the end of the quarter.



Insurance Renewals

CEA successfully renewed its insurance policies for the 2024-2025 term. These policies are purchased to protect CEA business operations and reduce the financial impact to policyholder capital should a loss event occur. Overall program premium decreased by 5.60%, as shown in the table below.

Coverage	Expiring Premium	Renewal Premium	% Change
Businessowners	\$11,191	\$6,390	-42.90%
Directors & Officers/ Employment Practices Liability	\$105,299	\$105,087	-.20%
Financial Institution Bond	\$30,938	\$30,917	-.07%
Cyber	\$553,726	\$537,513	-2.93%
Workers' Compensation*	\$51,117	\$30,267	-40.79%
TOTAL PREMIUM	\$752,271	\$710,174	-5.60%

*The Workers' Compensation premiums are estimates and subject to audit.

The large reduction in workers' compensation insurance reflects general market dynamics such as the increase in telework and reduced workplace injuries, decreased travel and regulatory changes. The sizeable reduction in the businessowners policy likewise reflects the hybrid work environment and CEA's move to new, smaller office space.

The favorable cyber insurance renewal premium reflects the confidence that our cyber insurers have in CEA's Security Team who continue to enhance the CEA's data security with routine staff training and technical enhancements that increase data security and are responsive to our insurance carriers' underwriting criteria.



California Catastrophe Response Council Memorandum

November 14, 2024

Agenda Item 4C: Financial Report

Recommended Action: Information only

CEA Chief Financial Officer Tom Hanzel will provide the California Catastrophe Response Council with a financial report on the Wildfire Fund as of September 30, 2024, and 2023.



FINANCIAL REPORT

September 30, 2024

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Statements of Revenues, Expenses and Changes in Net Position for the Nine Months Ended September 30, 2024 and 2023	2
CWF Budgeted and Actual Expenditures for 2024 Budget Year as of September 30, 2024	3
Cost allocation methodology and calculation for the Nine Months Ended September 30, 2024 and 2023	4
Contributions Received	
Schedule of SMIF Loan Proceeds, IOU Contributions, and NBC's received by the fund from Inception through September 30, 2024	5
Investment Analysis	
Investment Analysis as of September 30, 2024 and 2023	6 - 7

Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	September 30, 2024	September 30, 2023
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 206,130,852	\$ 71,208,889
Investments	<u>12,390,921,954</u>	<u>10,372,944,636</u>
Total cash and investments	12,597,052,806	10,444,153,525
Interest receivable	77,945,833	57,266,505
Securities receivable	<u>-</u>	<u>17,298,863</u>
Total assets	\$ 12,674,998,639	\$ 10,518,718,893
Liabilities and Net Position		
Loss and loss adjustment expense reserves	\$ 560,741,846	\$ -
Securities payable	13,832,361	-
Accounts payable and accrued expenses	1,304,190	1,197,424
Related party payable - CEA	<u>242,605</u>	<u>240,393</u>
Total liabilities	<u>576,121,002</u>	<u>1,437,817</u>
Net position:		
Restricted for CWF	<u>12,098,877,637</u>	<u>10,517,281,076</u>
Total net position	<u>12,098,877,637</u>	<u>10,517,281,076</u>
Total liabilities and net position	<u><u>\$ 12,674,998,639</u></u>	<u><u>\$ 10,518,718,893</u></u>

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

UNAUDITED

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Additions to fund assets:		
Rate payer monthly NBCs	\$ 640,135,962	\$ 657,256,141
Total contributions	640,135,962	657,256,141
Investment income & expenses	237,556,230	142,172,531
Change in unrealized gain/(loss)	319,165,551	(112,060,870)
Net investment income/(loss)	556,721,781	30,111,661
Total additions to fund assets	1,196,857,743	687,367,802
Deductions to fund assets:		
SMIF loan principal payments	-	250,000,000
SMIF loan interest expense	-	1,093,878
General and administrative expenses	1,699,755	1,307,812
Personnel expenses	258,865	289,368
Total deductions to fund assets	1,958,620	252,691,058
Increase/(decrease) in net position	1,194,899,123	434,676,744
Net position, beginning of year	10,903,978,514	10,082,604,332
Net position, end of period	\$ 12,098,877,637	\$ 10,517,281,076

California Wildfire Fund
2024 Approved Budget vs 2024 Actual Activity
as of September 30, 2024

	Actual Activity for Nine Months Ended September 30, 2024	Approved Budget for Nine Months Ended September 30, 2024	Actual Activity for Nine Months Ended September 30, 2023	Approved Budget for FYE 2024
Additions to fund assets:				
Rate payer monthly NBCs, net	\$ 640,135,962 *	\$ 660,493,489	\$ 657,256,141	\$ 885,433,005 **
Utility annual contributions	-	-	-	300,000,000
Investment income (net of expenses)	237,556,230	221,318,322	142,172,531	299,161,518
	<u>\$ 877,692,192</u>	<u>\$ 881,811,811</u>	<u>\$ 799,428,672</u>	<u>\$ 1,484,594,523</u>
Total additions to fund assets				
Wildfire paid claims	\$ 39,258,154 ***	\$ 200,000,000	\$ -	\$ 350,000,000
Deductions to fund assets:				
SMIF - principal payment	-	-	250,000,000	-
SMIF - loan interest	-	-	1,093,878	-
<i>Personnel expenses:</i>				
Personnel expenses - allocated from CEA	258,865	352,205	289,368	469,600
<i>Total personnel expenses</i>	258,865	352,205	289,368	469,600
<i>General and administrative expenses:</i>				
Other contracted and consulting services	850,796	1,869,957	520,861	2,493,275
G&A expenses - allocated from CEA	416,270	442,782	387,418	592,381
Financial services consulting	218,689	226,359	216,137	303,258
Bank fees	199,744	203,945	176,147	274,610
Direct legal services-general	1,597	112,500	1,817	150,000
Travel	-	12,210	-	16,320
RFQ advertisements	6,585	10,000	-	10,000
Audit fees	4,000	4,000	4,000	4,000
Council meeting expenses	1,544	1,500	1,432	2,100
Direct IT services	-	800	-	1,000
Software and licenses	-	600	-	900
Printing & stationary	530	400	-	500
<i>Total general and administrative expenses:</i>	1,699,755	2,885,053	1,307,812	3,848,344
	<u>\$ 1,958,620</u>	<u>\$ 3,237,258</u>	<u>\$ 252,691,058</u>	<u>\$ 4,317,944</u>
Total deductions to fund assets				
Change in unrealized gain/(loss)	319,165,551	- ****	(112,060,870)	-
Increase/(decrease) in net position	<u>\$ 1,194,899,123</u>	<u>\$ 878,574,553</u>	<u>\$ 434,676,744</u>	<u>\$ 1,480,276,579</u>

* - NBC funds received by CWF in 2024 are net of DWR administrative and operating expenses of \$4.7mm. The \$4.7mm is made up of \$2.5mm of DWR A&O expenses paid from Jan'24 through Sept'24, and \$2.2mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

** - Budgeted NBC funds to be received by CWF in 2024 are net of \$5.4mm for DWR administrative and operating expenses.

*** - At the end of fiscal year 2023, the CEA booked a \$600mm loss reserve related to the Dixie fire. The claims expenses were recognized in 2023, and the actual cash payments made in fiscal year 2024 are not recognized as a deduction in fund assets, but a draw down on the reserve on CWF's balance sheet.

**** - Unrealized gain/loss is not budgeted for CWF

California Wildfire Fund
Cost Allocation Methodology and Calculation for the Nine Months Ended September 30, 2024 and 2023
09/30/2024

Note 1: Cost Allocation Approach

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

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

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

A. All direct costs that are incurred directly by the CWF.

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

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

Note 2: Direct and Indirect Costs

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

The following hours were captured and the CEA applied each employees hourly rate + the predetermined burden rate to come up with the direct labor charge for the CWF for the Nine Months Ended September 30, 2024 and 2023.

Department	Nine Months Ended Sept'24		Nine Months Ended Sept'23		CWF Salary & Benefit costs =	Sept'24	Sept'23
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	157.5	13,092	101.3	9,684	CWF Salary & Benefit costs =	241,426 A	265,518
2. Exec	98.3	26,569	131.0	35,918	CEA Salary & Benefit costs =	19,880,426 B	18,474,200
3. Finance	807.8	90,570	753.5	94,564		20,121,852 C	18,739,718
4. IT	-	-	1.0	108			
5. Internal Ops	112.5	10,486	-	-	Allocation % =	1.20% = A/C	1.42%
6. Insurance Ops	163.3	32,504	207.0	42,243			
7. Legal	576.3	68,205	725.0	83,001			
Total Direct Hours/Costs	1,915.5	241,426	1,918.8	265,518			

All other indirect costs, except for Clearwater charges, were allocated to the CWF based on the 1.20% and 1.42% allocations noted above. The Direct Investment Technology Support line item below consists of Clearwater (investment accounting and compliance software) charges that are allocated to the CWF based upon CWF's share of total assets under management of the CEA and CWF combined. The remaining indirect expenses noted below were charged to the CWF using the allocation percentages noted above.

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	8,020	13,644
Rent-Office Equip/Furniture	86450-16	159	218
Building Maintenance and Repairs	86475-16	26	46
Furniture/Equipment <\$5000	86500-16	-	36
EDP Hardware <5000	86505-16	3,121	6,441
EDP Software <5000	86506-16	22,147	32,603
Office Supplies	86510-16	130	311
Postage	86530-16	22	9
HR and IT staff allocation	85101-16	17,439	23,850
Telecommunications	86550-16	3,388	3,654
Insurance Expense	86600-16	6,383	8,068
Other Administration Services	88175-16	439	561
Direct Investment Technology Support	89805-16	372,435	321,827
Total Indirect Costs		433,709	411,268
Total Costs		675,135	676,786

Contributions & NBCs Received

California Wildfire Fund
SMIF Loan Proceeds, IOU Contributions, & NBCs Received
As of September 30, 2024

Description	Date Received	Amount
1. SMIF Loan Proceeds	8/15/2019	\$ 2,000,000,000
2. SDG&E initial capital contribution	9/9/2019	322,500,000
3. SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
4. SDG&E 2019 annual contribution	12/19/2019	12,900,000
5. SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
6. PG&E initial capital contribution	7/1/2020	4,815,000,000
7. PG&E 2019 annual contribution	7/1/2020	192,600,000
8. IOUs 2020 annual contributions	December-20	300,000,000
9. IOUs 2021 annual contributions	December-21	300,000,000
10. IOUs 2022 annual contributions	December-22	300,000,000
11. IOUs 2023 annual contributions	December-23	300,000,000
Total SMIF Loan Proceeds & IOU Contributions		11,000,000,000
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	12-months of 2023	888,460,672
4. January 2024 NBC funds	Jan'24 weekly ACHs	80,814,233
5. February 2024 NBC funds	Feb'24 weekly ACHs	60,106,717
6. March 2024 NBC funds	March'24 weekly ACHs	64,597,509
7. April 2024 NBC funds	April'24 weekly ACHs	63,268,813
8. May 2024 NBC funds	May'24 weekly ACHs	76,433,521
9. June 2024 NBC funds	June'24 weekly ACHs	60,551,707
10. July 2024 NBC funds	July'24 weekly ACHs	63,141,790
11. August 2024 NBC funds	Aug'24 weekly ACHs	92,169,361
12. September 2024 NBC funds	Sept'24 weekly ACHs	79,052,311
Total NBCs Received		3,520,266,412
Total Funds Received		<u><u>\$ 14,520,266,412</u></u>

Investment Analysis

California Wildfire Fund
CWF Portfolio Overview
9/30/2024

September 30, 2024

The CWF's total portfolio market value for September 2024 was \$12.60 billion with an average duration of 3.70 years and average credit ratings of "AA".

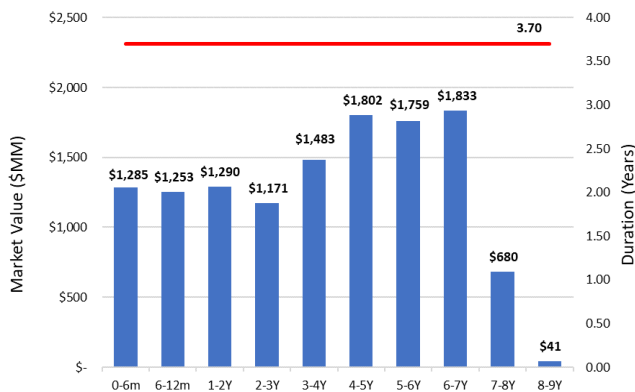
CWF Investment Portfolio as of September 30, 2024				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 7,125	56.6%	AA+	3.80
U.S. Agency & Supranational	1,168	9.3%	AA+	2.62
Corporates	4,228	33.6%	A+	3.88
U.S. TSY MMF	76	0.5%	AAA	0.00
Total	\$ 12,597	100.0%	AA	3.70

September 30, 2023

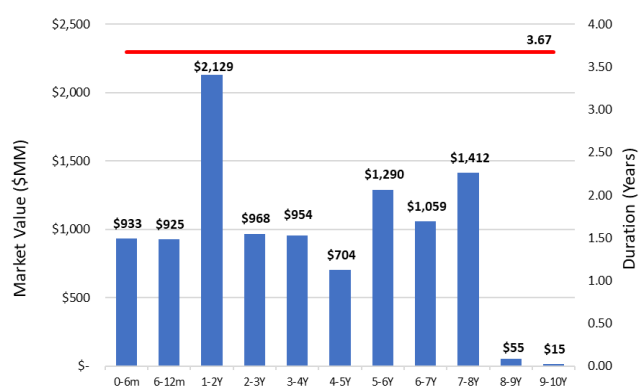
The CWF's total portfolio market value for September 2023 was \$10.44 billion with an average duration of 3.67 years and average credit ratings of "AA".

CWF Investment Portfolio as of September 30, 2023				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,624	53.8%	AA+	3.28
U.S. Agency & Supranational	1,153	11.0%	AA+	3.31
Corporates	3,596	34.4%	A+	4.45
U.S. TSY MMF	71	0.8%	AAA	0.00
Total	\$ 10,444	100.0%	AA	3.67

CWF Maturity Distribution: September 30, 2024



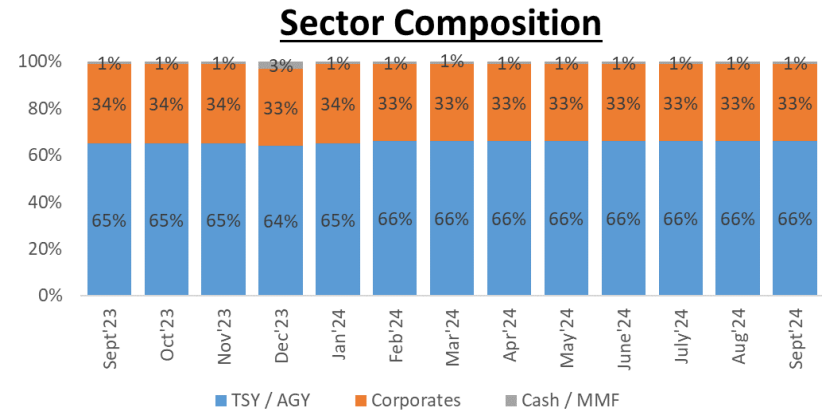
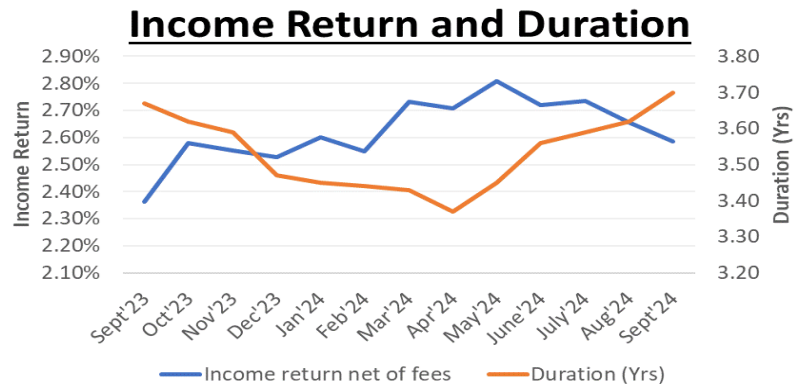
CWF Maturity Distribution: September 30, 2023



California Wildfire Fund
CWF Portfolio 12-Month History
September 30, 2024

CWF Investment Portfolio Overview													
	Sept'23	Oct'23	Nov'23	Dec'23	Jan'24	Feb'24	Mar'24	Apr'24	May'24	June'24	July'24	Aug'24	Sept'24
Total Portfolio													
Market Value - Cash & Investments (\$MM)	\$10,444	\$10,532	\$10,864	\$11,143	\$11,553	\$11,537	\$11,617	\$11,584	\$11,791	\$11,866	\$12,199	\$12,307	\$12,597
Investment income (\$MM) *	21.02	22.83	23.09	23.82	25.27	24.88	26.73	26.72	27.72	27.14	27.73	27.51	27.23
Change in unrealized gain/(loss) (\$MM)	(143.16)	(79.40)	257.00	209.81	1.90	(122.45)	43.02	(159.02)	96.83	65.89	187.32	105.18	100.49
Investment management fees and bank fees (\$MM)	0.33	0.33	0.34	0.36	0.37	0.37	0.37	0.36	0.38	0.37	0.38	0.39	0.41
fees as a % of average AUM	0.0031%	0.0032%	0.0032%	0.0032%	0.0032%	0.0032%	0.0032%	0.0031%	0.0033%	0.0032%	0.0033%	0.0032%	0.0033%
Income return gross of fees	2.40%	2.62%	2.59%	2.57%	2.64%	2.59%	2.77%	2.74%	2.85%	2.76%	2.77%	2.69%	2.62%
Income return net of fees	2.36%	2.58%	2.55%	2.53%	2.60%	2.55%	2.73%	2.71%	2.81%	2.72%	2.73%	2.66%	2.59%
Yield to Maturity	5.14%	5.34%	4.86%	4.31%	4.49%	4.79%	4.71%	5.08%	4.89%	4.76%	4.44%	4.08%	3.93%
Duration (Yrs)	3.67	3.62	3.59	3.47	3.45	3.44	3.43	3.37	3.45	3.56	3.59	3.62	3.70
Portfolio Composition (%)													
TSY / AGY	65%	65%	65%	64%	65%	66%	66%	66%	66%	66%	66%	66%	66%
Corporates	34%	34%	34%	33%	34%	33%	33%	33%	33%	33%	33%	33%	33%
Cash / MMF	1%	1%	1%	3%	1%	1%	1%	1%	1%	1%	1%	1%	1%

* - Investment income does not include bank and investment manager fees. The amount includes the following: (1) interest income and interest purchased (2) Accretion - discount (3) Amortization - premium (4) Realized gain/(loss)





California Catastrophe Response Council Memorandum

November 14, 2024

Agenda Item 5: Informational Presentation

Recommended Action: Information only

Jesse Cason, Jr., P.E., Manager, California Energy Bond Office, California Department of Water Resources (DWR), will provide an overview of DWR's expenses related to the management of the ratepayer non-bypassable charges collected on behalf of the California Wildfire Fund.