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Date of Notice: April 24, 2023

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 a hybrid meeting, with both a physical location and teleconference access for remote participation by Council members and the public. Pursuant to Senate Bill 189, enacted June 30, 2022, which amended certain provisions of the Bagley-Keene Open Meeting Act through and until July 1, 2023, the Council is authorized to use teleconferencing to conduct its public meetings and to make public meetings accessible telephonically. The meeting location noted below will be open to 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: May 4, 2023
TIME: 3:00 p.m.
LOCATION: 801 K Street, 11th Floor, Sacramento, CA 95814

TELECONFERENCE ACCESS:

By Computer (Open the Zoom** App, or navigate to www.zoom.com):
Enter Meeting ID: 813 5804 7936
Direct Link: <https://us02web.zoom.us/j/81358047936>

By Phone: 1 (669) 900-6833
Enter Meeting ID: 813 5804 7936

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

NOTES: Neither the Council nor the California Earthquake Authority, as Administrator of the Wildfire Fund (Wildfire Fund), are responsible for technical difficulties that may occur with the Zoom platform or audio feed.

Please also 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 use the phone access, and you can download any presentation materials used during the meeting at the website for the Wildfire Fund:
www.cawildfirefund.com.

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comment at this public meeting. The telephone lines and Zoom links of members of the public will initially be muted to prevent background noise from inadvertently disrupting the meeting. Phone lines and Zoom links will be unmuted upon request during all portions of the meeting that are appropriate for public comment.

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 press *9 on their phone or use the "Raise Hand" button on Zoom. Either of these actions 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 during the meeting will be deemed to indicate your consent to the recording and all future use and distribution of the recording.

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

MEETING MATERIALS: A copy of this Notice and Agenda has been posted on the 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.

AGENDA

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

Governor
Treasurer
Insurance Commissioner
Secretary for Natural Resources
Rich Gordon, 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 February 2, 2023 meeting of the Council.
3. Executive Report: CEA Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.
4. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of March 31, 2023.
5. Claims Administration Update: CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson will seek Council approval of amendments to the Claims Administration Procedures.
6. Enterprise Risk Management: CEA Chief Risk & Actuarial Officer Shawna Ackerman will deliver a quarterly report on the Enterprise Risk Management program for the Wildfire Fund.
7. Administrator Evaluation: Council Members Juan Fernandez and Rhoda Rossman will present the results of the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2022.
8. Informational Presentation: San Diego Gas & Electric Chief Operating Officer and Chief Safety Officer Kevin Geraghty, Vice President of Wildfire and Climate Science Brian D'Agostino, and Director of Wildfire Mitigation Jonathan Woldemariam will provide an overview presentation on San Diego Gas and Electric's wildfire mitigation activities.
9. Public Comment: The Council will invite public comment on matters related to the Wildfire Fund that do not appear on this agenda, and to request that matters be placed on a future agenda.
10. Adjournment.

For further information about this notice or its contents:

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



California Catastrophe Response Council Memorandum

May 4, 2023

Agenda Item 2: Minutes

Recommended Action: Approve Minutes of February 2, 2023 Meeting

Attached is a draft of the minutes of the February 2, 2023 meeting of the California Catastrophe Response Council. CEA staff has reviewed these minutes and believe they accurately summarize and document the matters discussed and actions taken by the Council at that meeting. CEA staff recommends approval and adoption of the draft minutes as the official record of the February 2, 2023 meeting of the Council.

DRAFT
California Catastrophe Response Council Meeting Minutes

Thursday, February 2, 2023
3:00 p.m.

Members of Council in Attendance:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom
Richard Gordon, Vice-Chair, appointee of Speaker of the Assembly
Juan Fernandez, designee of State Treasurer Fiona Ma
Lisbeth Landsman-Smith, designee of Insurance Commissioner Ricardo Lara
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot
Kathleen Ritzman, appointee of the Senate Rules Committee
Paul Rosenstiel, Public Member
Rhoda Rossman, Public Member
Catherine Barna, Public Member

Members of CEA Staff in Attendance:

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

Speakers:

Kapil Bhatia, Raymond James
David Heller, Southern California Edison (SCE)
Erik Takayesu, Southern California Edison (SCE)

1. Quorum: Call to Order and Member Roll Call

Chair Ghilarducci called the meeting, held via Zoom, to order at 3:02 p.m.

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

2. Minutes: Review and approve minutes of the October 27, 2022 meeting of the Council.

MOTION: Ms. Barna motioned to approve the October 27, 2022, meeting minutes as written. Paul Rosenstiel seconded. The motion carried unanimously by roll call vote.

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

Mr. Pomeroy reported that Chair Ghilarducci, although retiring as Director of OES, will stay on as Chair of the CCRC.

He then introduced and welcomed Juan Fernandez, who is replacing Kasey O'Connor as designee of the State Treasurer. Mr. Pomeroy thanked Ms. O'Connor in absentia for her work on the Council and congratulated her on her position as the first executive director of the newly created California Hope, Opportunity, Perseverance and Empowerment (HOPE) for Children Trust Account Program.

Mr. Pomeroy noted that the CCRC, created by the State Legislature in July 2019, is approaching its fourth year of existence with CEA being designated as Administrator of the Wildfire Fund. He added that staff is planning to report to members of the Legislature via webinar on the progress of the Wildfire Fund, as administered by CEA, with oversight by the CCRC, currently scheduled for February 24.

4. Administrator Evaluation: Mr. Pomeroy will ask the Council to appoint two of its members to the informal Administrator Evaluation Committee for the purpose of preparing the evaluation of CEA as the Wildfire Fund Administrator for 2022.

Mr. Ghilarducci asked for two CCRC members to volunteer for the Administrator Evaluation Committee. Council members Rhoda Rossman and Juan Fernandez volunteered to serve. Mr. Pomeroy said he would reach out to Ms. Rossman and Mr. Fernandez to begin the Administrator Evaluation process.

5. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of December 31, 2022.

Mr. Hanzel stated that the high inflationary environment continues to create financial headwinds, but the Wildfire Fund remains financially strong and will be prepared if, and when, claims are filed against the Fund.

He noted two factors impacting the CEA: the increase of exposures and the impact of the unrealized loss position. One benefit of the increased rate environment is that investment income is up over 25% year-over-year. As our securities mature, they are reinvested at a higher yield.

Mr. Hanzel reported the Fund's 2022 year-end assets stood at \$10.18 billion, down \$178 million year-over-year. Inflows of \$1.4 billion were offset by SMIF loan repayments of \$840 million last year and the unrealized losses caused a reduction to the Fund's net position. The SMIF loan balance of \$180 million will be fully repaid in April 2023.

Non-bypassable charges collected for 2022 increased to \$1.1 billion compared to \$875 million in 2021. The increase was due to both a higher usage and a higher rate charge during the year to make up for under-collection in the prior year and a half to two years.

However, an over-collection at the end of 2022 resulted in a slightly below average target of \$902.4 million in 2023.

Mr. Hanzel noted that the CEA has been working successfully with the Department of Water Resources (DWR), the Treasurer's Office, and the Controller's Office to accelerate the transfer of non-bypassable charges by about 15 days during 2022. He added there is an opportunity to further accelerate those transfers by reducing the average daily balance of the non-bypassable charges at DWR and bringing them to the Wildfire Fund sooner.

Ms. Rossman noted that assets in the Fund can earn twice the interest rate compared to funds held at the DWR, and asked how much of the Fund's assets are at that lower rate. Mr. Hanzel answered that it is in the \$140 million dollar range for average daily balance, adding there is a possibility of increasing investment income by up to \$3 million annually for the Fund.

Mr. Hanzel then introduced Kapil Bhatia, of Raymond James, who is a financial advisor for the Fund, to provide additional details on the Fund's portfolio.

Mr. Bhatia began with an overview of the U.S. economic and financial markets noting that inflationary pressure has started to recede. We are far from the Federal Reserve's target rate of 2% and expect the inflation rate to come down to 3-3.5% in the next six months. Unemployment remains very low at 3.5%. U.S. economic growth has slowed significantly. We expect equity markets to start recovering in the first half of this year.

Mr. Bhatia explained how increased interest rates impact the Fund's portfolio, noting the vast majority of the portfolio is invested in short-term, duration bonds with 67% of the portfolio invested in U.S. Treasury and agency securities and 33% in corporate securities with an average duration of 2.92 years, significantly down from 3.99 years at the start of the year. For the last 12 months, we have reinvested our maturing securities to between two to three years and not extended the duration which helps manage unrealized losses. Because of the Fund's investment strategy, unrealized losses will evaporate over time.

Mr. Bhatia recommends that the Fund maintain its current investment strategy for the first half of 2023 and then re-evaluate based on current economic conditions. He projected that the Fund's gross investment return for 2023 will be \$213 million.

Questions and Discussion

Ms. Rossman commented that short-term maturities in the portfolio would be available to pay claims; but we know from how the pipeline looks that there are no claims that will be paid anytime soon.

Mr. Rosenstiel asked if we should extend the maturities when rates are high, adding unrealized losses are an accounting measure but really do not have anything to do with giving us resources to pay claims. Mr. Bhatia answered that we are waiting for the yield curve to become more normalized and with the SMIF loan repayment over the next 90 days, we will have additional funds coming which we can reinvest at the long end.

Mr. Fernandez asked about the \$1 billion maturing in the next three months: what are we doing with that? Mr. Bhatia answered that we are rolling it down – everything that is maturing is going into a three-year window which is why our projected income for 2023 is \$213 million: we are investing and taking advantage of the yield curve by going long.

In response to related questions from Ms. Rossman, Mr. Rosenstiel and Mr. Fernandez, Mr. Bhatia assured the Council that he will recommend changing investment strategies in 2023 if economic conditions warrant such changes.

6. California Wildfire Fund 2023 Budget: Mr. Hanzel will seek approval of the proposed 2023 California Wildfire Fund Budget.

Mr. Hanzel presented the numbers for the proposed budget, noting that the non-bypassable charges are down about \$240 million year-over-year, related to the change in the rate from the DWR. He also noted that the largest 2023 deduction is the repayment of the \$250 million SMIF loan, which will be completed this April. The Operating Expenses are split between DWR and CEA administrator activities. Mr. Hanzel stated that we expect about a \$1.1 billion increase in fund assets, without accounting for any change in the unrealized position.

Ms. Rossman expressed her appreciation to CEA for lowering their administrative charges to the Wildfire Fund.

Mr. Hanzel recommended that the Council approve the proposed 2023 California Wildfire Fund Budget, and direct staff to operate the Wildfire Fund's businesses within that total approved budget amount.

MOTION: Ms. Rossman motioned to approve the 2023 Wildfire Fund budget and Mr. Gordon seconded. The motion carried unanimously by roll call vote.

7. Claims Administration Update: CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson will provide an update on Claims Administration.

Dr. Johnson stated that from a wildfire perspective, the entire state of California has benefitted from recent rains.

For 2022, the last fire for which the Council received a wildfire-related notification was the Mosquito Fire in September. CEA has not as yet received any formal notification from a participating utility of a potential claim submission to the Wildfire Fund, which is a requisite in the claims administration procedures approved by the Council. Nonetheless, staff continues to monitor what they are publicly reporting.

For the Mosquito Fire, PG&E estimated losses in excess of \$100 million. That number may go up. The investigation into whether the utility was at cause is ongoing.

For the claims administration procedures build-out, staff is in the final stages of wrapping up Phase 1. They are at the stage of testing the whole operational approach, and then will be finalizing the Operations Manual.

Phase 2 is called Delivery on Demand of Claims Review Services. Under the current contract with Sedgewick, we have an option to extend that up to five years. They will be developing a plan for executing on-demand review services.

8. Enterprise Risk Management Update: CEA Chief Risk & Actuarial Officer Shawna Ackerman will deliver a quarterly report on the Enterprise Risk Management (ERM) program for the Wildfire Fund.

Ms. Ackerman reported that there have been no changes to the ERM scorecard since October. For this quarter, Ms. Ackerman addressed two of the priority risks: Business Continuity and Mitigation.

- Business Continuity: Staff has made significant progress in 2022 in updating and building out the program including a succession Plan that covers every executive and management position. The overall goal of the program is to give confidence that we can perform essential functions when there are disruptions in the availability of facilities, systems, or personnel.
- Mitigation: The memo makes note of the PG&E Wildfire Mitigation Plan update for 2022, which was approved by the Office of Energy and Infrastructure Safety in November. The Office has published the 2023 schedule, and the new plans are due March 27. These filings will include plans for both 2023 and 2024.

9. Informational Presentation: Edison International Vice President of Enterprise Risk Management (ERM) and General Auditor David Heller and Senior Vice-President of Asset Planning and Strategy Erik Takayesu will provide an informational presentation on Southern California Edison's wildfire mitigation activities.

Ms. Tatapudy introduced the representatives from Southern California Edison (SCE) who would be speaking about the Community Wildfire Safety Program: David Heller and Erik Takayesu.

Mr. Heller and Mr. Takayesu focused their comments on Southern California Edison's ongoing grid hardening and overall wildfire mitigation efforts, noting the company's comprehensive strategy is to prevent, combat and respond to wildfires by hardening their electric grid; enhancing their operational practices; and bolstering their situational awareness capabilities.

Mr. Takayesu said by the end of 2023 about 50% of the company's 50,000-square-mile service area will be hardened by covered conductor. Undergrounding systems is extremely effective mitigation and SCE identifies where undergrounding makes sense from a cost and feasibility perspective and analysis, comparing that with covered conductor.

Other mitigation activities include vegetation management and equipment inspections using technologies such as Jones helicopters, high-definition images, and infrared technologies to advance how SCE looks at risk on their system, focusing on the most critical areas. Mr. Takayesu stated that over the course of time the company has learned the value of top to bottom inspections, adding many anomalies are difficult to detect from the ground.

SCE plans to deploy 1,600 weather stations and 180 high-definition cameras in 2023 for situational awareness, allowing more granular and precise information when conditions exist in real-time and potentially in the future. He concluded by stating that Public Safety Power Shutoffs (PSPS) measures are a measure of last resort, used when all information and situational awareness indicate imminent safety hazards.

Mr. Takayesu then reviewed new technologies that SCE is piloting and testing in some way, evaluating effectiveness, maturity levels, and outcomes. Those technologies include:

- Early Fault Detection, which uses listening devices that can notify SCE if something could fail within a year or so.
- Fault Detection, where in a situation where wire is parting, technologies can detect that before it hits the ground.
- High Impedance Detection, where when a fault happens, enough energy needs to be delivered through the fault to be detected and cleared by a circuit breaker. These systems go above and beyond typical protection systems.
- Asset Defect Detection, which uses Artificial Intelligence/Machine Learning. SCE is currently collecting thousands of images via inspection, and creating training models to look for anomalies – things that a computer algorithm can do more efficiently than a human.
- Fire Detection, where SCE couples satellite technology with high-definition cameras to provide greater fire detection and notification.

Mr. Heller said that the company estimates that its wildfire mitigation measures and PSPS measures have reduced the probability of losses of \$1 billion or more from catastrophic wildfires by 65 to 70 percent.

Questions and Discussion

Mr. Rosenstiel and Mr. Ghilarducci asked about the company's wildfire plans going forward. Mr. Heller said the wildfire mitigation programs already in place will continue.

Chair Ghilarducci commented that the percentage reductions seem high in this short period of time. Mr. Heller responded that SCE is confident in the high numbers because the company has not had a catastrophic fire above the billion dollar threshold in the last

four years. Mr. Takayesu added that SCE has seen year-over-year reductions in the number of ignitions in high fire risk areas.

Mr. Heller stressed that smaller fires are not unimportant and are being addressed by SCE's mitigation efforts.

Chair Ghilarducci asked how SCE aligns its predictions with fire service analysis teams in the National Weather Service to ensure that when they are driving PSPS action, it is in alignment with the other cooperators. Mr. Takayesu answered that when they begin to forecast conditions, typically five days in advance, their meteorology team and fire experts reach out to the other agencies to ensure that they are aligned in the conditions that are existing.

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 request that matters be placed on a future agenda.

There was no public comment.

11. Adjournment

There being no further business, Chair Ghilarducci adjourned the meeting at 4:39 p.m.



California Catastrophe Response Council Memorandum

May 4, 2023

Agenda Item 3: Executive Report

Recommended Action: No action required – Information only

CEA Chief Executive Officer Glenn Pomeroy will present his Executive Report to the California Catastrophe Response Council.



California Catastrophe Response Council Memorandum

May 4, 2023

Agenda Item 4: Financial Report

Recommended Action: No action required – 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 March 31, 2023 and 2022.



FINANCIAL REPORT

March 31, 2023

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	March 31, 2023	March 31, 2022
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 538,397,867	\$ 393,872,865
Investments	9,755,796,039	9,435,234,436
Total cash and investments	10,294,193,906	9,829,107,301
Interest receivable	44,191,545	39,379,440
Prepaid expenses	-	104,167
Total assets	\$ 10,338,385,451	\$ 9,868,590,908
Liabilities and Net Position		
Securities payable	\$ 15,804,494	\$ 9,011,705
SMIF loan interest payable	1,029,493	5,847,315
Accounts payable and accrued expenses	1,253,849	1,496,124
Related party payable - CEA	222,720	240,335
Total liabilities	18,310,556	16,595,479
Net position:		
Restricted for CWF	10,320,074,895	9,851,995,429
Total net position	10,320,074,895	9,851,995,429
Total liabilities and net position	\$ 10,338,385,451	\$ 9,868,590,908

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

UNAUDITED

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Additions to fund assets:		
Rate payer monthly NBCs	\$ 239,134,367	\$ 213,660,833
Total contributions	239,134,367	213,660,833
Investment income & expenses	46,602,024	26,047,667
Change in unrealized gain/(loss)	163,278,200	(429,514,306)
Net investment income	209,880,224	(403,466,639)
Total additions to fund assets	<u>449,014,591</u>	<u>(189,805,806)</u>
Deductions to fund assets:		
SMIF loan principal payments	210,000,000	210,000,000
SMIF loan interest expense	1,029,493	5,847,314
General and administrative expenses	418,363	650,832
Personnel expenses	96,172	125,155
Total deductions to fund assets	<u>211,544,028</u>	<u>216,623,301</u>
Increase/(decrease) in net position	237,470,563	(406,429,107)
Net position, beginning of year	<u>10,082,604,332</u>	<u>10,258,424,536</u>
Net position, end of period	<u><u>\$ 10,320,074,895</u></u>	<u><u>\$ 9,851,995,429</u></u>

California Wildfire Fund
2023 Approved Budget vs 2023 Actual Activity
as of March 31, 2023

	<u>Actual Activity for Three Months Ended March 31, 2023</u>	<u>Approved Budget for Three Months Ended March 31, 2023</u>	<u>Actual Activity for Three Months Ended March 31, 2022</u>	<u>Approved Budget for FYE 2023</u>
Additions to fund assets:				
Rate payer monthly NBCs, net	\$ 239,134,367 *	\$ 224,107,927	\$ 213,660,833	\$ 875,069,919 **
Utility annual contributions	-	-	-	300,000,000
Investment income (net of expenses)	46,602,024	44,954,180	26,047,667	213,439,076
	<u>\$ 285,736,391</u>	<u>\$ 269,062,107</u>	<u>\$ 239,708,500</u>	<u>\$ 1,388,508,995</u>
Total additions to fund assets				
Deductions to fund assets:				
SMIF - principal payment	\$ 210,000,000	\$ 210,000,000	\$ 210,000,000	\$ 250,000,000
SMIF - loan interest	1,029,493	1,029,493	5,847,314	1,093,877
<i>Personnel expenses:</i>				
Personnel expenses - allocated from CEA	96,172	165,000	125,155	660,000
<i>Total personnel expenses</i>	96,172	165,000	125,155	660,000
<i>General and administrative expenses:</i>				
Other contracted and consulting services	163,909	112,857	406,407	451,428
Direct legal services-general	-	37,500	-	150,000
Financial services consulting	70,469	70,470	68,750	285,402
Bank fees	57,000	59,422	59,400	243,546
G&A expenses - allocated from CEA	126,445	130,850	115,904	523,400
Travel	-	4,420	-	19,110
Software and licenses	-	300	-	1,200
Direct IT services	-	300	-	1,200
Audit fees	-	2,000	-	4,000
Printing & stationary	104	150	36	600
Governing board meeting expenses	436	450	335	1,800
<i>Total general and administrative expenses:</i>	418,363	418,719	650,832	1,681,686
	<u>\$ 211,544,028</u>	<u>\$ 211,613,212</u>	<u>\$ 216,623,301</u>	<u>\$ 253,435,563</u>
Total deductions to fund assets				
Change in unrealized gain/(loss)	163,278,200	- ***	(429,514,306)	-
Increase/(decrease) in net position	<u>\$ 237,470,563</u>	<u>\$ 57,448,895</u>	<u>\$ (406,429,107)</u>	<u>\$ 1,135,073,432</u>

* - NBC funds received by CWF in 2023 are net of DWR administrative and operating expenses of \$3.2mm.
The \$3.2mm is made up of \$817K of DWR A&O expenses paid from Dec'22 through Feb'23 and \$2.4mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

** - Budgeted NBC funds to be received by CWF in 2023 are net of \$5.2mm for DWR administrative and operating expenses.

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

California Wildfire Fund
 Cost Allocation Methodology and Calculation for the Three Months Ended March 31, 2023 and 2022
 03/31/2023

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 Three Months Ended March 31, 2023 and 2022.

Department	Three Months Ended March'23		Three Months Ended March'22		CWF Salary & Benefit costs =	March'23	March'22
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	28.0	3,654	77.5	7,420		87,695 A	118,600
2. Exec	23.0	6,545	71.5	17,217		6,245,396 B	6,302,346
3. Finance	207.8	27,553	502.3	44,455		6,333,091 C	6,420,946
4. IT	-	-	15.5	1,007			
5. Internal Ops	-	-	4.0	710			
6. Insurance Ops	84.8	17,129	105.9	20,025			
7. Legal	273.3	32,814	271.4	27,766			
Total Direct Hours/Costs	616.8	87,695	1,048.1	118,600	Allocation % =	1.38% = A/C	1.85%

All other indirect costs were allocated to the CWF based on the 1.38% and 1.85% allocations noted above. The following indirect expenses were charged to the CWF:

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	4,096	5,792
Rent-Office Equip/Furniture	86450-16	50	282
Building Maintenance and Repairs	86475-16	32	121
Furniture/Equipment <\$5000	86500-16	16	-
EDP Hardware <5000	86505-16	1,199	618
EDP Software <5000	86506-16	11,634	16,092
Office Supplies	86510-16	104	16
Postage	86530-16	-	19
HR and IT staff allocation	85101-16	8,477	6,555
Telecommunications	86550-16	1,180	1,062
Insurance Expense	86600-16	2,626	3,252
Other Administration Services	88175-16	25	15
Direct Investment Technology Support	89805-16	105,482	88,635
Total Indirect Costs		134,922	122,459
Total Costs		222,617	241,059

Contributions & NBCs Received

**California Wildfire Fund
Contributions & NBCs Received
As of March 31, 2023**

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	<u>300,000,000</u>
	Total Contributions	10,700,000,000
1. 2021 NBC funds received	12-months of 2021	875,076,565
2. 2022 NBC funds received	12-months of 2022	1,116,593,213 *
3. December 2022 NBC funds	1/30/2023	81,493,123
4. January 2023 NBC funds	3/7/2023	77,023,056
5. February 2023 NBC funds	3/30/2023	<u>80,618,188</u>
	Total NBCs	2,230,804,145
	Total Funds Received	<u>\$ 12,930,804,145</u>

Note 1:

Amounts highlighted in blue represent funds received subsequent to the February 2, 2023 CCRC meeting.

Note 2:

NBC funds received by CWF in 2023 are net of DWR administrative and operating expenses of \$3.2mm. The \$3.2mm is made up of \$817K of DWR A&O expenses paid from Dec'22 through Feb'23 and \$2.4mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

* NBC funds received by CWF in 2022 are net of DWR administrative and operating expenses of \$5.5mm. The \$5.5mm is made up of \$4.3mm of DWR A&O expenses paid from Nov'21 through Nov'22 and \$1.2mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

Update Memo on SMIF Loan and Schedule of NBC Funds to Be Received By CWF

The 2019 Wildfire Legislation created a capitalization structure that will result in a total of \$21 billion to provide claim-paying capacity after utility-caused wildfires. The legislation also required that the California Wildfire Fund (CWF) be initially capitalized in the form of a short-term \$2 billion loan from the Treasurer's Surplus Money Investment Fund (SMIF), a fund within the State's Pooled Money Investment Account. In consultation with the State Treasurer's Office (STO), the Department of Finance (DOF), and the California Earthquake Authority (CEA), the Department of Water Resources (DWR) has determined to delay the issuance of DWR revenue bonds secured by the Wildfire NBCs, and instead will allocate the collected Wildfire NBCs to the repayment of the SMIF loan pursuant to an amortization schedule negotiated among the CEA, STO, and DOF, with monthly principal payments of \$70 million, which began on December 29, 2020 and ended on Tuesday, April 25, 2023.

As the CWF administrator, the CEA has requested DWR to implement weekly payments of the Wildfire Non-Bypassable Charges to the CWF after the SMIF loan is paid off on April 25, 2023. DWR is currently working with the DOF, and the State Controller's Office (SCO) to update the DWR Charge Fund (DCF) accounts, to allow for weekly payments after the \$2 billion SMIF loan is repaid. Updating the DCF is essential for implementing the requested weekly payments to the CWF. Upon the repayment of the SMIF loan, DWR estimates the earliest weekly payments can start is on or about June 2023. Until then, monthly payments to the CWF will continue with the State Treasurer's Office wiring amounts of \$50 million and higher. DWR is working diligently with DOF and SCO to implement this smooth transition and ensure the weekly payments are timely and accurate.

Once the weekly payments commence, DWR will maintain amounts in DCF required by Assembly Bill 1054, to include at least the current month's administrative and operating expenses, 90 days of projected administrative and operating expenses, and a reserve determined at DWR's discretion, but not expected to exceed \$3 million. The remaining Wildfire Non-Bypassable Charges in the DCF will be provided to the CWF in the form of a weekly advanced payment. The amounts held for administrative and operating expenses resemble what DWR has held for the life of the program and does not represent any increase in funds being held by DWR for these expenses.

At the end of each month, DWR will validate the Wildfire NBC collections, other deposits, and withdrawals, then calculate a true-up monthly payment to the CWF.

Investment Analysis

California Wildfire Fund CWF Portfolio Overview 3/31/2023

March 31, 2023

The CWF's total portfolio market value for March 2023 was \$10.29 billion with an average duration of 2.9 years and average credit ratings of "AA".

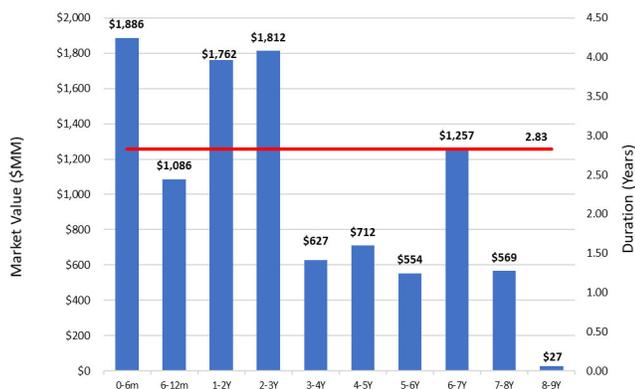
CWF Investment Portfolio as of March 31, 2023				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,649	54.9%	AAA	2.08
U.S. Agency & Supranational	1,094	10.6%	AAA	2.84
Corporates	3,299	32.1%	A+	4.34
U.S. TSY MMF	250	2.4%	AAA	0.00
Total	\$ 10,292	100.0%	AA	2.83

March 31, 2022

The CWF's total portfolio market value for March 2022 was \$9.83 billion with an average duration of 3.7 years and average credit ratings of "AA+".

CWF Investment Portfolio as of March 31, 2022				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,452	55.5%	AAA	2.65
U.S. Agency & Supranational	873	8.9%	AAA	4.05
Corporates	3,449	35.1%	A+	5.31
U.S. TSY MMF	55	0.6%	AAA	0.20
Total	\$ 9,829	100.0%	AA+	3.67

CWF Maturity Distribution: March 31, 2023



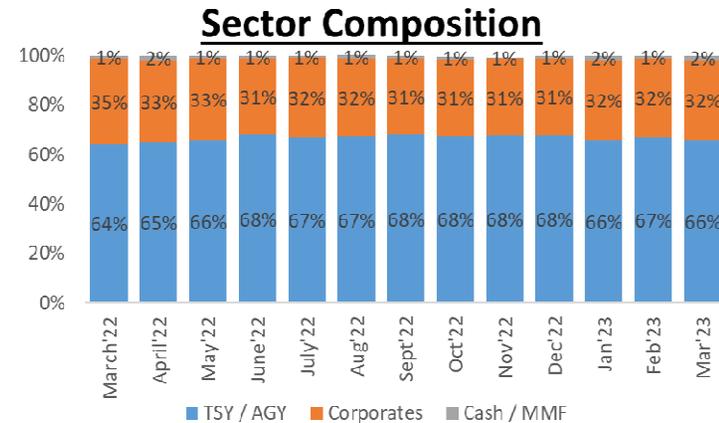
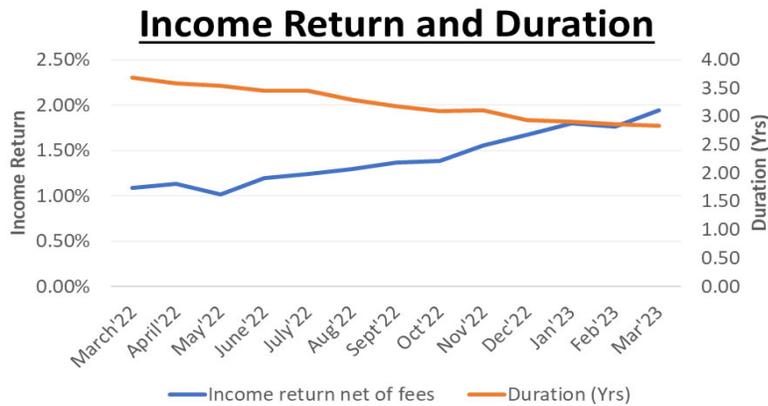
CWF Maturity Distribution: March 31, 2022



**California Wildfire Fund
CWF Portfolio 12-Month History
3/31/2023**

CWF Investment Portfolio Overview													
	March'22	April'22	May'22	June'22	July'22	Aug'22	Sept'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23
Total Portfolio													
Market Value - Cash & Investments (\$MM)	\$9,829	\$9,623	\$9,909	\$9,749	\$9,826	\$9,731	\$9,550	\$9,542	\$9,693	\$10,111	\$10,204	\$10,022	\$10,292
Investment income (\$MM) *	9.36	9.51	8.61	10.09	10.45	10.89	11.33	11.27	12.83	14.16	15.55	15.23	16.78
Change in unrealized gain/(loss) (\$MM)	(212.35)	(198.73)	56.66	(99.44)	136.38	(177.51)	(228.17)	(38.82)	152.47	(29.26)	137.94	(144.51)	169.85
Investment management fees and bank fees (\$MM)	0.33	0.33	0.33	0.33	0.33	0.33	0.32	0.27	0.32	0.34	0.34	0.33	0.32
fees as a % of average AUM	0.0033%	0.0034%	0.0034%	0.0034%	0.0034%	0.0033%	0.0033%	0.0028%	0.0034%	0.0034%	0.0033%	0.0033%	0.0032%
Income return gross of fees	1.13%	1.17%	1.06%	1.23%	1.28%	1.34%	1.41%	1.42%	1.60%	1.72%	1.84%	1.81%	1.98%
Income return net of fees	1.09%	1.13%	1.02%	1.19%	1.24%	1.30%	1.37%	1.38%	1.56%	1.68%	1.80%	1.77%	1.94%
Yield to Maturity	2.28%	2.81%	2.73%	3.13%	2.98%	3.52%	4.26%	4.59%	4.38%	4.48%	4.27%	4.79%	4.30%
Duration (Yrs)	3.68	3.58	3.54	3.45	3.46	3.30	3.18	3.09	3.11	2.94	2.91	2.87	2.83
Portfolio Composition (%)													
TSY / AGY	64%	65%	66%	68%	67%	67%	68%	68%	68%	68%	66%	67%	66%
Corporates	35%	33%	33%	31%	32%	32%	31%	31%	31%	31%	32%	32%	32%
Cash / MMF	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%	2%	1%	2%

* - 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)

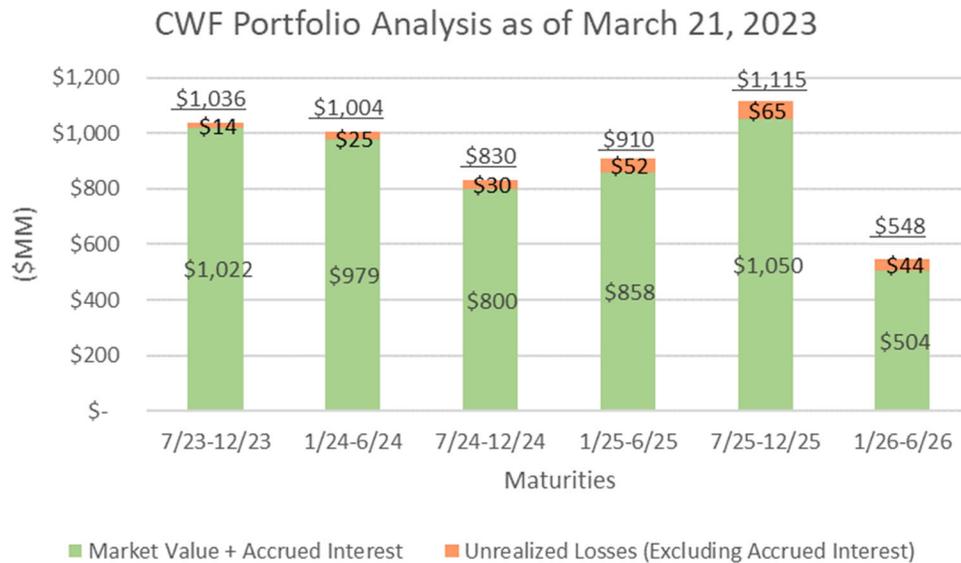


CWF Portfolio Analysis – Selling Securities Prior to Maturity

Based on the Fed terminal rate movements and continued uncertainty regarding the terminal rate and the length of time that the Fed will maintain the terminal rate, the CEA and Raymond James have been evaluating the costs and benefits of selling securities prior to maturity.

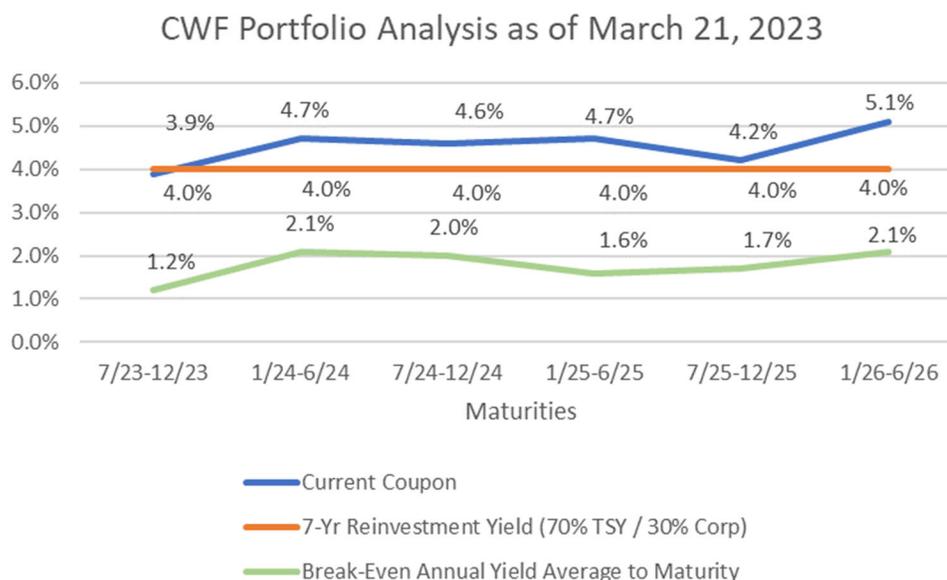
We have conducted our own analyses and we asked five of the CWF investment managers for thoughts on selling securities prior to maturity to lock-in higher rates and reinvesting the proceeds in securities that meet the stated Investment Policy Guidelines. For purposes of this analysis, we focused on securities maturing from July 1, 2023 through June 30, 2026 as longer dated securities have higher unrealized losses, which would reduce the benefit of selling securities and reinvesting at higher rates.

Our analysis was concluded on March 21, 2023. The maturities and unrealized losses as of March 21, 2023 are shown in the chart below:



The coupon rates for the portfolio with maturities from July 1, 2023 through June 30, 2026 range from an average of 1.2% to 2.1%, while the current 7-year reinvestment yield based on a composition of 70% Treasuries and 30% “A”-rated Corporates is approximately 4.0%. Based on the current unrealized losses and current income from the securities, the break-even yield to maturity for each 6-month maturity window ranges from 3.9% for the maturities in the second half of 2023 to 5.1% for the maturities in the first half of 2026.

CWF Portfolio Analysis – Selling Securities Prior to Maturity (continued)



We calculated the amount of time it would take to break-even for securities within 6 month increments that accounts for the realized losses and lost income from selling a currently held security prior to maturity. For securities with the shortest amount of time remaining to maturity, the unrealized losses are less therefore reducing the break-even yield necessary to recoup the losses from selling. As the security duration increases, the unrealized losses increase, which drives the break-even point higher.

Since the date of this analysis, there has been a flight to quality as the banking sector experiences increasing pressure, which has caused Treasury rates to decrease significantly. With any decrease in interest rates the mark-to-market losses for the portfolio will also decrease.

Our strategy is to optimize the securities sold by selecting securities with maturities prior to June 30, 2024 that have coupons below 2.5%, while maintaining liquidity and locking-in current reinvestment rates that are approximately 4% and re-evaluating this analysis every three months for additional opportunities. If the CWF were to sell approximately \$1.5 billion of the securities maturing from July 1, 2023 to June 30, 2024, the break-even point to recoup the realized losses would be less than 1.25 years. This would increase the CWF’s duration from 2.8 years to approximately 3.3 years and would increase the CWF’s portfolio yield from 1.78% to approximately 1.85% with an increase in annual income of approximately \$6 million.

On April 5, 2023, we communicated to each of our investment managers the directive to sell securities at a loss with current yields of less than 2.5% maturing over the next 15 months or to June 30, 2024 and reinvest the proceeds with longer dated maturities of 7-10 years with credit profiles consistent with our CWF Investment Policy. This will allow us to lock in higher yield, increase duration, and achieve breakeven in 12 – 18 months after accounting for unrealized losses. We requested that this portfolio rotation to be completed over the next 30 days.

CWF Portfolio Analysis – Benchmarks

The CEA and Raymond James have been evaluating various alternative benchmarks as a reference point for the CWF portfolio. We have evaluated various benchmarks and we have selected the following based on the CWF’s current investment policy. The proposed composite benchmark for the CWF is based on multiple ICE Bank of America (“BofA”) indices and reflects the CWF’s Investment Policy from a credit and duration perspective. The composite benchmark reflects our investment policy and is derived from a combination of different individual benchmarks and is comprised of 60% in U.S. Treasury Securities, 10% in Federal Agency Securities, and 30% in Corporate Notes.

The version noted below is based on the long-term goal of the portfolio with an overall target duration of approximately 4.4 years. The composite benchmark shown below, is based on the long-term intent of the policies, and is focused on 1-10- and 7-10-year indices for U.S. Treasuries and Corporates. As the intended purpose of the reference benchmark is to follow the long-term intent of the portfolios and not to make modifications based on short-term strategies driven by current market conditions.

Sector	Index Ticker	Index Name	Composition	Yield as of 03/31/2023	1-Month Total Return	3-Month Total Return	6-Month Total Return	Duration (Years)
Treasury	G5O2	ICE BofA 1-10 Yr UST	55%	3.85%	2.42%	2.24%	3.28%	3.73
Agency	GVPO	ICE BofA 1-5 Yr US Agy	15%	4.22%	1.82%	1.68%	2.56%	2.07
Corporate	C510	ICE BofA 1-10 Yr AAA-A US Corp	10%	4.94%	1.96%	2.41%	4.82%	3.94
Corporate	C410	ICE BofA 7-10 Yr AAA-A US Corp	20%	4.88%	3.15%	3.96%	7.74%	7.02
Total/Avg			100%	4.22%	2.43%	2.52%	4.22%	4.16
CWF Total			100%	4.30%	1.89%	2.12%	3.43%	2.84

ICE BofA data as of March 31, 2023

CWF portfolio data as of March 31, 2023



California Catastrophe Response Council Memorandum

May 4, 2023

Agenda Item 5: Claims Administration

Recommended Action: Discuss and consider adoption of the Proposed Amendments to the Wildfire Fund Claims Administration Procedures

Background

The California Catastrophe Response Council (Council) adopted the *Wildfire Fund Claims Administration Procedures (Procedures)* on July 22, 2021, and 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.

Buildout of the Claims Administration Operations

Sedgwick has completed its scope of work for Phase 1, Claims Review Readiness, of its contract. The scope of work for Phase 1 focused on building out the infrastructure and completing the preparations necessary for the successful and timely execution of the Administrator's claims review process. It has included development of an Operations Manual; the data management infrastructure for claims intake, review, and reporting; a statistical approach to the claims review process; quality control procedures; and a claims review personnel plan and training program. The operational approach, including the data management structure and claims review forms for the Threshold Claims and Eligible Claims review processes, was then tested before finalization.



Rebudgeting for Phase 2, Delivery-on-Demand of Claims Review Services

Sedgwick’s current contract provides budget for Phase 2, Delivery-on-Demand of Claims Review Services that will extend up to 3 years, with an option to extend the contract to January 23, 2027 (up to 5 years from the date of execution). The current Phase 2 budget is structured around two modes of work: “hibernation mode” and “claims review mode”. In year one of the Phase 2 budget, the initial “hibernation mode” scope of work includes development and execution of an implementation plan for the on-demand claims review services; and development of a maintenance services plan to ensure that, if claims are not submitted for an extended period of time over the life of the contract, the claims review personnel and infrastructure will remain trained and ready to provide on-demand claims review services whenever claims are submitted.

The Administrator is working with Sedgwick to revise its scope of work for Phase 2, Delivery-on-Demand of Claims Review Services to include a small “bridge” budget as Sedgwick transitions from Phase 1 into the hibernation mode awaiting a claims submission to the Fund, as well as changes to its Phase 2 scope of work to include a new task of pre-testing the operational approach ahead of any future claims submission. The Administrator, Sedgwick and the Participating Utilities have agreed to test the claims review systems and operational documentation before the start of any claims review process. This allows for actual claims data to be used to periodically test the operational approach and will help ensure confidence for all parties that the operational approach is fully functional and up-to-date, even when there are potentially long gaps of time between actual claims reviews.

During the “bridge” period between Phase 1 and 2, estimated to last approximately four months, Sedgwick will be developing dummy data to further test the operational approach for claims review services, and building out the operational procedures and personnel training for future pre-testing of the operational approach, both of which are tasks that were not anticipated during the initial contracting with Sedgwick. If these contract adjustments materially increase the total budgeted consulting services spend, the Administrator will update the 2023 budget and present it to the Council at its next meeting in August.

Proposed Amendments to the Claims Administration Procedures

The Administrator and Sedgwick have prepared proposed amendments to the *Wildfire Fund Claims Administration Procedures*, adopted by the Council on July 22, 2021. These proposed amendments help ensure consistency between the *Procedures* and the more



detailed operational approach developed during Sedgwick’s Phase 1 work, incorporate non-discretionary changes to ensure that the *Procedures* conform with changes to the Public Utilities Code effective January 1, 2022, and correct spelling and grammatical errors found during this detailed review. Both a red-line copy showing the proposed amendments and clean copy of the proposed amended *Procedures* are attached to this memorandum.

The *Procedures* are organized into two parts: I. General Claims Administration Information and II. Administrator’s Claims Review Process. A brief description of what is contained in each part is noted.

1. **General Claims Administration Information** – This part of the document outlines the principles and defines key terminology used in the Administrator’s claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.
2. **Administrator’s Claims Review Process** – This part describes the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

The Administrator has also conducted outreach on the proposed amendments to the *Procedures* to the three Participating Utilities, and representatives of insurance industry and local government trade associations, and utility ratepayer advocates who were consulted during the development of the detailed claim procedures in 2021.

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, 2020, 2021 and 2022 coverage years.

There is little change in the status of potentially Covered Wildfires since the Administrator’s report at the February 2, 2023 Council meeting. Reported losses, in aggregate, for the 2019 and 2020 coverage years for each of the three Participating Utilities have not yet exceeded the current \$1 billion threshold necessary for any of the Participating Utilities to make a claim on the Fund. The Administrator continues to



monitor the reported losses for two major fires—the October 2019 Kincade Fire and the September 2020 Zogg Fire.

For the 2021 coverage year, the Administrator is monitoring the reported losses for the July 2021 Dixie Fire, in particular. PG&E’s 10-K report to the Securities and Exchange Commission (SEC) for the year ending December 31, 2022 estimates potential aggregate liability for the 2021 Dixie Fire of \$1.15 billion with a potential recovery of \$150 million from the Fund. The Administrator continues to closely monitor PG&E’s 2021 losses and plan for the potential submission of claims.

Next Steps

Staff from CEA and Sedgwick will report on the status of work by the claims review services provider to develop a set of operational documentation to support the claims review process and the execution of other elements of the Procedures during this Council meeting.

Recommendation

Following the Council’s discussion and deliberation, CEA recommends that the Council approve and adopt the proposed amendments to the *Wildfire Fund Claims Administration Procedures*.



CLAIMS ADMINISTRATION PROCEDURES

WILDFIRE FUND ADMINISTRATOR

APPROVED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
JULY 22, 2021

AMENDED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
XX/XX/2023

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PREFACE

These Claims Administration Procedures (“Procedures”) provide a plan of operations for the Administrator of the Wildfire Fund (“Fund”) to fulfill its claims review, approval, and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code, as these sections may be amended, subject to the approval and oversight by the California Catastrophe Response Council (“Council”). They have been drafted prior to any claims submission to the Fund and thus reflect a current view of the process for review and approval of claims as well as the Administrator’s efficient operation and management of the Fund. The Administrator, Council, and Participating Utilities have a common interest in cooperating with each other, to the extent permitted by law, in order to share information protected by the attorney-client privilege and by the attorney work product doctrine with respect to claims administration, protection of claimant privacy, and maintaining the durability of the Fund.

Operational documentation will provide more detailed implementation direction for the Procedures and particularly for the Administrator’s claims review process. The operational documentation may be updated as claims handling experience is gained. The Administrator ~~will report to the Council when parts of the operational documentation are modified and~~ will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.

The Administrator will promptly notify the Council of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments. Upon request from a Council member, the Administrator will place a matter on the agenda for the next public meeting of the Council to allow for discussion and comment on the required changes.

OVERVIEW

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

In 2019, the California Legislature addressed these concerns with its adoption of Assembly Bill (AB) 1054 and signed into law by the California Governor on July 12, 2019. That bill contained several measures, including the creation of a Wildfire Fund (the "Fund") to be funded by participating electrical corporations ("Participating Utilities," as defined below) with additional contributions derived from a ratepayer charge that was approved by the California Public Utilities Commission.

The Legislature's intent in creating the Fund was to provide a mechanism for Participating Utilities to pay wildfire claims which provides mutual benefits to ratepayers and Participating Utilities. Fund benefits are available only under specific, limited conditions as defined by the Legislature. Monies will be paid from the Fund only to the extent that a Participating Utility demonstrates that its payment of claims reflects the exercise of Reasonable Business Judgment as defined herein.

To accomplish those goals, the Legislature vested discretion in an Administrator of the Wildfire Fund (the "Administrator," as defined below) to establish procedures for the review, approval, and timely funding of Eligible Claims to the Fund, consistent with the legislative goals of the bill and as approved by the California Catastrophe Response Council (the "Council," as defined below). The California Earthquake Authority ("CEA") was appointed as the Administrator on April 23, 2020.

The Fund reimburses Participating Utilities for Eligible Claims arising from a Covered Wildfire, that ignited on or after July 12, 2019, and that a Determining Governmental Entity has found was caused by a Participating Utility, as described in section 1701.8(a)(1) of the Public Utilities Code. Only Eligible Claims shall be made against or paid by the Fund. To access the Fund, Participating Utilities must have an aggregation of wildfire losses in a Coverage Year that exceeds an annual aggregated Threshold Amount.

The Legislature did not substitute the Administrator's judgment for that of the Participating Utility in settling claims made against a Participating Utility after a Covered Wildfire(s). However, Participating Utilities must develop and demonstrate reasonable standards when resolving wildfire claims. The fundamental principle is that the

Participating Utility will have made a determination of legally recoverable damages and will not have included settlement items that are not recoverable at law.

The purpose of these Claims Administration Procedures (“Procedures”) is to guide the Administrator, through its own internal staff and any vendors that it retains, in fulfilling its claims review, approval and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code. Figure 1 provides an illustration of the entire process of claims arising from Covered Wildfires, how claims are filed and reimbursed by Participating Utilities, and the submission of claims by Participating Utilities for reimbursement by the Fund. These Procedures primarily address the submission of claims by Participating Utilities for reimbursement by the Fund—steps 5 and 6 in Figure 1. Liability and the responsibility for claims handling and direct interaction with claimants—steps 1 through 4 in Figure 1—remain with the Participating Utilities and its claimants. Any responsibilities of the Administrator for potential reimbursement to the Fund associated with a Catastrophic Wildfire Proceeding—defined in section 1701.8.(b) of the Public Utilities Code, and step 7 in Figure 1—are not part of these Procedures and will be handled separately.

The Procedures also reflect the policy direction and guidance provided by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*, approved by the Council on October 22, 2020, and the *Claims Administration: Expanded Summary of Procedures* approved by the Council on January 28, 2021. The Council’s adoption of the *Expanded Summary of Procedures* and the *Provisional Policy Statement and Summary of Procedures* are in keeping with the *Articles of Governance* in which the Administrator is authorized to operate the Fund within the framework established by law and in accordance with claims administration procedures approved by the Council.

These Procedures are organized into two parts:

- I. **General Claims Administration Information** – outlines the principles and defines key terminology used in the Administrator’s claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.
- II. **Administrator’s Claims Review Process** – describes the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

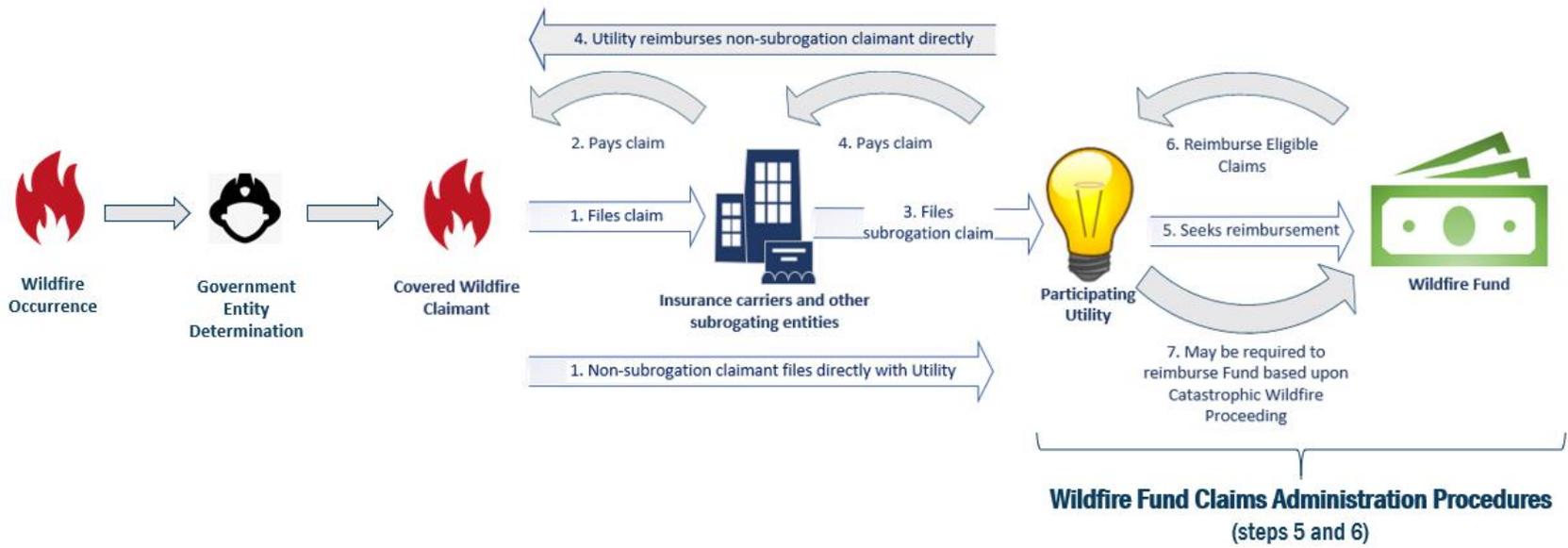


Figure 1. Illustration of the process of handling claims arising from Covered Wildfires

I. GENERAL CLAIMS ADMINISTRATION INFORMATION

This part of the Procedures outlines the principles and defines key terminology used in the Administrator's claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.

A. PRINCIPLES OF CLAIMS ADMINISTRATION

To assure that the Administrator's claims review processes are consistent with the Legislature's goals in creating the Fund, the Administrator's development of these Procedures is guided by a set of principles approved by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*. The principles that apply broadly to claims administration and the development of these Procedures are as follows:

- Procedures for the presentation and resolution of Wildfire Fund claims will be designed to lead to the efficient and timely resolution of claims for payment from the Fund.
- Stakeholder input is an important part of the development of claims administration procedures and the Administrator will attempt to balance potentially competing stakeholder interests and opinions as appropriate in the Administrator's discretion.
- Procedures will aim to balance the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.
- Procedures will maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances that cannot yet be predicted, and to account for changes in legal and other standards, while remaining consistent with the legislative intent expressed in the creation of the Fund.
- The Fund will be managed judiciously to assure that payments of Fund benefits are appropriate and that the Fund remains economically viable for the payment of future wildfire claims.

According to section 3284(g) of the Public Utilities Code, the Procedures may be revised from time to time by the Administrator with the approval of the Council. They may also include processes to facilitate and expedite the review and approval of settled Eligible Claims, including guidelines for, or preapproval of, settlement levels. They must also provide for the reimbursement of Eligible Claims within 45 days of the date the

Administrator approves the reimbursement amount for any Eligible Claim unless that timing is not practicable.

In particular, section 3292 of the Public Utilities Code directs the Administrator to review and approve any settlement of an Eligible Claim as being in the Reasonable Business Judgment of the Participating Utility as a prerequisite to releasing funds for payment. The Reasonable Business Judgment standard, as employed in these Procedures, primarily emphasizes the evaluation of the process by which a Participating Utility has settled claims while also allowing for the evaluation of specific claim resolutions as warranted by these Procedures. The Administrator's review of claims focuses on determining whether the process by which the settlement was reached was appropriate and consistent with Reasonable Business Judgment.

In essence, the claims review processes set forth in these Procedures comprise a "due diligence" review to assure that the Participating Utility's settlement decisions are based on the types of documentation and other evidence typically considered appropriate by reliable subject-matter experts when reaching a decision as to how much to pay in settlement. Given the catastrophic nature of wildfires, the Procedures acknowledge the potential for the destruction or corruption of evidence that might be relied upon to determine a claim settlement. The concept of Reasonable Business Judgment acknowledges that a pragmatic approach on the part of the Participating Utility will be appropriate in cases where evidence has been so destroyed or corrupted. In these cases, the pragmatic approach may involve consideration of the Participating Utility's prior or current experience with valuing similar claims in lieu of other evidence.

B. DEFINITIONS

The following definitions have been reviewed and approved by the Council and provide further clarification of the guidance provided on claims administration in Public Utilities Code sections 3280 – 3297, as amended from time to time.

Administrator – The administrator of the Wildfire Fund appointed by the Council pursuant to section 8899.72 of the Government Code. The California Earthquake Authority was appointed by the Council to serve as the Administrator on April 23, 2020. "Administrator" also includes any third-party claims review services provider and vendors that the California Earthquake Authority retains to review and process claims.

Council – The California Catastrophe Response Council created pursuant to section 8899.70 of the Government Code.

Coverage Year – For any Participating Utility, an annual period of exactly twelve months that commences as of a certain date and time, as declared by the Participating Utility to the Administrator.

Covered Wildfire – As described in section 1701.8(a)(1) of the Public Utilities Code, as amended from time to time, a wildfire that ignited on or after July 12, 2019, and for which either of the following is satisfied: (A) The governmental agency responsible for determining causation or a court of competent jurisdiction determines the wildfire was caused by a Participating Utility. (B) Asserted to have been caused by a Participating Utility and results in a court-approved dismissal resulting from the settlement of third-party damage claims. ~~the Determining Governmental Entity has found was caused by an electrical corporation.~~ This includes a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff. It also includes a landslide, mudslide, mudflow, or debris flow that is the result of a Covered Wildfire.

Determining Governmental Entity – As described in section 1701.8 of the Public Utilities Code, as amended from time to time, an entity, agency, or subdivision of the government of the United States of America, State of California, or California county or municipality that is legally charged with the responsibility for determining, and does in fact make a final determination of, the cause of ignition of a wildfire, ~~and including, in.~~ This includes a determination by a federal or California court of competent jurisdiction that a wildfire, ignited on or after July 12, 2019, was caused by a Participating Utility, or a court-approved dismissal following the settlement of third-party damage claims asserted to have resulted from a wildfire caused by a Participating Utility. the case of a wildfire for which causation is ultimately determined by way of a final judicial finding, by a federal or California court of competent jurisdiction.

Eligible Claim(s) – As described in section 3280(f) of the Public Utilities Code, as amended from time to time, Third-Party Claims for damages resulting from Covered Wildfires and presented by a Participating Utility for reimbursement from the Fund. “Eligible Claims” include amounts for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the settlement of a settled or Finally Adjudicated claim of a third-party claiming damages caused by a Covered Wildfire.

Final Determination of Eligibility – The Administrator’s final determination of whether the Participating Utility has demonstrated that it has met the Threshold Amount through the payment of Third-Party Claims for damages resulting from Covered Wildfires in the Participating Utility’s exercise of Reasonable Business Judgment.

Final Determination of Eligible Claims - The Administrator’s final determination that the Participating Utility exercised Reasonable Business Judgment in the payment of Eligible Claims and will reimburse the Participating Utility.

Finally Adjudicated – A claim is Finally Adjudicated when a neutral judicial or quasi-judicial third party, such as a court or arbitrator, has issued a final decision on the merits

that is binding on the parties and may no longer be appealed. Settlements, consent judgments, and other dispositions that are the result of a voluntary agreement or are not a binding decision by a third party are not Finally Adjudicated claims.

Participating Utility – An electrical corporation that has met all the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.

Preliminary Determination of Eligibility – The Administrator’s initial determination regarding the extent to which a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the payment of Third-Party Claims exceeding the Threshold Amount.

Preliminary Determination of Eligible Claims – The Administrator’s determination that it is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment with respect to one or more claims submitted for reimbursement. The Participating Utility will be requested to provide additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the Third-Party Claims can be further considered for reimbursement.

Reasonable Business Judgment – The judgment by the Participating Utility of the validity and value of a claim that is based on the process employed by the Participating Utility and the types of information and documentation generally relied upon by the Participating Utility to reach a fair evaluation of the Participating Utility’s liability for, and amount of, the claim. Under section 3292(f) of the Public Utilities Code, only claims settled in the “Reasonable Business Judgment” of a Participating Utility are reimbursable by the Fund.

Subject Matter Experts (SMEs) – Individuals advising the Participating Utilities and/or the Administrator with expertise for the valuation and assessment of specific types of damage caused by wildfires.

Subrogation Claim(s) – Claims paid, as a result of a Covered Wildfire, to insurers for recovery of policy benefits paid to their insureds and claimants and based on the insurers’ contractual rights of subrogation of their policyholders’ rights of recovery, or to other persons or entities holding a contractual or equitable right to be reimbursed for payments that person or entity was legally required to make to a third party.

Third-Party Claim(s) – Claims for damages or losses, or other associated expenses, presented to a Participating Utility by any person or entity, including those claiming a right by subrogation and governmental entities, claiming damages resulting from a Covered Wildfire. “Third-Party Claims” do not include losses or damages sustained directly by the Participating Utility.

Third-Party Claimant - A person or entity that files a Third-Party Claim.

Threshold Amount – Claims paid by a Participating Utility as a result of one or more Covered Wildfires that, in the aggregate, exceed the greater of the following for a Coverage Year: (1) one billion dollars (\$1,000,000,000), or (2) the amount of the insurance coverage required to be in place for the Participating Utility pursuant to section 3293 of the Public Utilities Code.

Wildfire – A accidental and unintentional, uncontrolled fire that (1) is listed on a list of wildfire incidents compiled by the California Department of Forestry and Fire Protection (“CAL FIRE”), or, (2) if not so listed on the CAL FIRE list of wildfire incidents, is determined by the Administrator, in the Administrator’s sole discretion, to be of the nature and sort of fire that should enable a Participating Utility to apply for and receive reimbursement for Eligible Claims from the Wildfire Fund.

Wildfire Fund – The fund created in section 3284 of the Public Utilities Code.

C. ROLE AND RESPONSIBILITIES OF THE ADMINISTRATOR

The Administrator oversees the claims review and payment processes of Third-Party Claims submitted by Participating Utilities for reimbursement by the Fund.

The Administrator’s role includes:

- Developing, maintaining, and revising the claims administration policies and procedures as needed to achieve an adequate level of performance, in the discretion of the Administrator, by claims review service providers, other vendors, and the Administrator staff.
- Seeking Council approval of revisions to the claims administration policies and procedures, and advising claims review service providers and Participating Utilities of any changes as they occur.
- Retaining the necessary claims review service providers and Subject Matter Experts (SMEs) to satisfactorily evaluate Threshold and Eligible Claims, and to provide for accurate and timely payment of Eligible Claims.
- Receiving and reviewing claims review service provider and vendor reports concerning evaluations of claims and eligibility for payment by the Fund.
- Preparing the reports on Preliminary and Final Determinations of Eligibility of claims, and conveying them to the Participating Utility and the Council.
- Managing the establishment and execution of quality control and audit functions for the overall claims administration processes.
- Implementing and managing a dispute resolution mechanism.
- Overseeing the processing for payment issuance within 45 days of the approval of the reimbursement amount.

- Maintaining records of paid and expected reimbursements by the Fund on a current basis.

The Administrator also has responsibilities to liaise with Participating Utilities and retain claims review service providers and other vendors to assist with claims handling. These responsibilities are further defined in the following sections.

C.1. LIAISON WITH PARTICIPATING UTILITIES

The Administrator will appoint a staff member to serve as liaison to confer with Participating Utilities on matters related to claim administration and to conduct an annual review of the claim handling capabilities and processes of Participating Utilities. The Administrator's liaison is responsible for the following tasks, to the extent deemed appropriate by the Administrator:

1. Maintain communication with the liaisons of each Participating Utility regarding claim handling for wildfires, including the current and projected amounts of claims payments made, committed to be made, and/or anticipated to be paid for each Covered Wildfire.
2. Gain an understanding of each Participating Utility's wildfire claims handling organization, practices and procedures that includes information on, without limitation, the following:
 - a. Size and structure of the claims handling organization, experience levels and qualifications of personnel, and personnel staffing at each experience level
 - b. Training and development of personnel
 - c. Authority structure, both internal to the Participating Utility and by vendor, for claims reviews, settlements of claims, and audit and control mechanisms for those authorities
 - d. Procedures for handling large-loss claims and any exceptions to the procedures
 - e. Any claims procedures to resolve claims for reasons other than a reasonable estimation of liability and legally recoverable damages
 - f. Business continuity plans and capabilities to handle significant increases in claims submissions
 - g. Changes in the claim reporting requirements of the Participating Utility's insurance carriers
 - h. Claim support by vendors and the names of and contracts with any claims handling vendors, if used
 - i. Copies of any guidelines that vendors should follow in adjusting claims and how those adjustments are audited and reviewed, including any delegated authority that is provided

j. Information technology systems and security, and electronic data extraction and submission methods used to produce claim submissions to the Administrator, as indicated in the reporting requirements for losses

~~j.k.~~ Data retention policies for all claims related data and documentation

~~k.l.~~ Procedures for identifying claims that are duplicative and/or that are included twice, for example, once in the context of a Subrogation Claim and again in the context of a non-Subrogation Claim made by the person or entity directly sustaining the claimed loss

~~l.m.~~ Procedures for identifying and investigating potentially fraudulent claims

~~m.n.~~ Procedures for confirming proof that the Third-Party Claim was actually paid or that the Participating Utility has an existing and legally enforceable obligation to pay that Third-Party Claim.

3. Conduct annual update meetings with each Participating Utility within the first half of each Coverage Year to secure the latest information, as described above, on the claims handling organization, its functioning, and reporting capabilities.
4. Be available as requested to meet with each Participating Utility to address concerns arising from either the Participating Utility or the Administrator.

C.2. POLICIES AND PROCEDURES FOR USE OF CLAIMS REVIEW SERVICE PROVIDERS AND OTHER VENDORS

The Administrator may retain vendors to execute and comply with these Procedures for the review and approval of Threshold Amount claims and Eligible Claims submitted to the Fund, and the timely funding of Eligible Claims. In this way, vendors will be an integral part of the Administrator's claim handling process.

Vendors are expected to have qualified staff to conduct claim reviews as are deemed necessary by the Administrator. Vendors will be expected to have ready access to experts in loss evaluation for each of the damage types identified in the Procedures. When the Administrator requires the specific expertise during a claim review, the vendor will demonstrate that the expert has suitable credentials.

Vendors are required to review and agree with the Administrator as to the scope, resourcing, and timing of any claims review. Vendors must receive written approval from the Administrator before arranging to conduct detailed claim reviews.

Vendors must be timely in their review of claim submissions as well as be accurate in their evaluations. Reports to the Administrator must be timely and accurate as well.

Vendors must ensure that they identify for the Administrator two points-of-contact familiar with the handling of the Wildfire Fund account to ensure there is always efficient and timely communication with the Administrator.

Vendors are expected to maintain timely communications with the Participating Utility and/or the Administrator during the entire period of the pendency of a claim submission.

D. ROLE AND RESPONSIBILITIES OF THE PARTICIPATING UTILITIES

The Council has adopted guiding principles for the Administrator's development and implementation of the Claims Administration Procedures. Two of those principles that specifically relate to the roles and responsibilities of the Participating Utilities are:

- Participating Utilities must demonstrate reasonable standards when resolving wildfire claims.
- Each settlement for which Participating Utilities seek reimbursement from the Wildfire Fund must be a fully and finally settled claim.

The Participating Utilities are also expected to:

- Appoint a liaison to confer with the Administrator's liaison on all claims-related matters.
- Participate in the Administrator's annual review of the Participating Utilities' claim handling capabilities and processes within the first half of each Coverage Year.
- Be available as requested to meet with the Administrator to address concerns arising from either the Participating Utility or the Administrator.
- Provide the Administrator with information requested as part of pre-claims processes and for the submission of claims to the Fund. These responsibilities are further defined in the following sections D.1. and D.2.

As part of the annual review, it is the responsibility of each Participating Utility to provide the Administrator with a generalized understanding of Participating Utility claims processes and standards used in resolving wildfire claims, and to update the Administrator, at least annually, on any major changes that may materially affect the Administrator's understanding of these processes and standards.

Based upon interviews with the Participating Utilities, the Administrator has developed an initial generalized understanding of the Participating Utilities' claims processes. It is summarized here to provide a contextual and consistent basis for subsequent assessment by the Administrator. Following the intake and acknowledgement (if needed) of itemized claims data, Participating Utilities generally follow a three-part process to validate, value and settle claims:

- Claims validation – involves confirmation that the claim is in relation to a Covered Wildfire(s); if relevant, an initial review to determine the scope and applicability of insurance policy coverage or any applicable contract, and any

deductible applied; a review of the itemized claim data supplied and requests for any missing items (as needed); a review of the evidence to support the existence/description of items included in the claim and evidence that can reasonably be provided; and a determination of non-duplication.

- Claims valuation – involves use of valuation standards, tools, and services;; review of any supporting experts’ reports, such as adjusters, engineers, accountants, medical experts; consideration of salvage and value of salvage; confirmation that the claim submitted to the subrogating insurer was covered and paid consistent with the subrogating insurer’s policy or any other applicable contract; calculate the settlement value based on what is recoverable at law, considering injury, [actual cash value \(ACV\)](#), replacement cost value (RCV), market value, and other relevant factors; and confirm final settlement value.
- Claims settlement – involves reaching agreement with the claimant, resolving the claim, and documenting payment.

D.1. PRE-CLAIM PROCESSES

These procedures apply before a Participating Utility presents Eligible Claims for reimbursement from the Fund. These procedures are necessary to expedite the processing of Eligible Claims.

1. The Administrator and each Participating Utility will determine in advance the Coverage Year to be used for the identification of Eligible Claims.
2. Each Participating Utility must develop procedures that capture all relevant details regarding Third-Party Claims that have been paid, or for which there are binding commitments to pay, in a form compatible with the requirements for seeking reimbursement of Eligible Claims from the Fund. [This includes policies for claims data retention.](#)
3. Each quarter, or at such other intervals as determined by the Administrator, the Participating Utility must report, in a standardized format specified by the Administrator, all the following to the Administrator with respect to actual or anticipated Eligible Claims:
 - a. The date, location and, if applicable, name of each Covered Wildfire.
 - b. A brief description of the status of efforts to resolve Third-Party Claims and an estimate of the timing of resolution of those claims.
 - c. The total amounts of payments made, or committed to be made, for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - d. To the extent publicly disclosed, the total estimated amount of additional payments anticipated for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.

- e. The status of the determination of causation by the Determining Governmental Entity as to each wildfire that the Participating Utility knows to be or reasonably expects to be determined to be a Covered Wildfire.
4. In addition to the periodic reports described above, each Participating Utility must report the information listed in section 3 above to the Administrator when any of the following occurs:
 - a. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, more than \$750,000,000, in the aggregate, for Third-Party Claims resulting from Covered Wildfires for a single Coverage Year;
 - b. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, any single Third-Party Claim exceeding \$25,000,000 resulting from a Covered Wildfire;
 - c. The Participating Utility has a reasonable belief that it may have Eligible Claims exceeding the Threshold Amount for a single Coverage Year; or,
 - d. Upon request of the Administrator.
 5. The information identified in sections 3 and 4 above is not intended to replace the more detailed information required for the formal submission of Eligible Claims, but is intended to provide the Administrator with advance notice of potential Eligible Claims to help facilitate the processing and payment of Eligible Claims if or when they are submitted for reimbursement. The failure to provide the information identified in sections 3 and 4 above will not result in a denial of claims submitted by the Participating Utility, but may significantly delay the processing and reimbursement of such claims.

D.2. SUBMISSION OF CLAIMS

The Participating Utility must provide, in a secure fashion and by means determined by agreement between the Administrator and the Participating Utility, the following information for each Third-Party Claim submitted to the Administrator for review and reimbursement by the Fund. The Administrator will supply Participating Utilities with an approved template for the provision of data and use secure file transfer protocols to receive the data.

1. For non-Subrogation Claims, the supplied data must include:
 - a. Name or a unique identifier of the Third-Party Claimant
 - b. Identification of the specific Covered Wildfire(s) giving rise to the claim
 - c. Specific location where damage or injury occurred
 - d. Legal interest of Third-Party Claimant in the property, if any, damaged
 - e. Amount, if any, recovered by the Third-Party Claimant from any other sources such as the claimant's insurer or governmental agencies
 - f. Itemization of amounts claimed by the Third-Party Claimant broken down among the following types of damages:

- i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Personal Injury, Wrongful Death, Emotional Distress
 - viii. Fire Suppression Costs
 - ix. Attorneys' fees recoverable by the Third-Party Claimant as an allowable part of damages
 - x. Other legally recoverable damages
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount
2. For Subrogation Claims, the supplied data must include:
- a. Name of insurer or other entity claiming right of subrogation
 - b. Identification of the specific Covered Wildfire(s) giving rise to the Subrogation Claims
 - c. If the subrogating entity is an insurer, name or other unique identifier for each of the subrogated insurer's policyholders under whom right of subrogation is claimed
 - d. If the subrogating entity is not an insurer, explanation of that entity's legal basis for asserting a right of subrogation
 - e. Specific location where each subrogated loss or injury occurred
 - f. Itemization of amounts claimed by the subrogating entity broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Other damages legally recoverable in subrogation
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility

- j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount.

The Administrator may request additional information as deemed necessary in the judgment of the Administrator.

As explained in more detail in section II.F, the supplied information will also be used to test the claims review systems, operational documentation and Procedures. Testing will occur before the claims review process commences for new Third-Party Claims that are submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

E. DATA CONFIDENTIALITY AND PRIVACY

The Administrator has developed the following procedures designed to protect from disclosure any confidential or proprietary documents or information that may be submitted by a Participating Utility to support claims payable from the Fund. Except as otherwise required by law, neither the Administrator nor the Council will divulge to any other person or entity that confidential or proprietary information absent the written consent of the Participating Utility. If the Administrator or the Council receives from any person or entity any valid and enforceable request or demand to divulge a Participating Utility's confidential or proprietary information, the Administrator will notify the Participating Utility of the demand or request as promptly as reasonably practicable and will provide reasonable assistance and will provide reasonable non-monetary assistance in protecting confidential or proprietary information from disclosure.

The following procedures specifically apply to information submitted to the California Earthquake Authority (CEA), in its capacity as Administrator, or to the Council, on or after the date these Procedures are approved by the Council.

E.1. SUBMISSION OF INFORMATION CLAIMED TO BE CONFIDENTIAL

The information submitter is responsible for documenting the reasons why the Administrator, or the Council, should withhold any information, or any portion thereof, from the public. To request confidential treatment of information submitted to the Administrator, or the Council, an information submitter must satisfy all the following requirements:

1. If confidential treatment is sought for any portion of information, the information submitter must designate each page, section, or field, or any portion thereof, as confidential. If only a certain portion of information is claimed to be confidential, then only that portion rather than the entire submission should be designated as confidential.

2. Specify the basis for the Administrator, or the Council, to provide confidential treatment with specific citation to an applicable provision of the California Public Records Act.
3. Provide a declaration in support of the legal authority cited above of the California Public Records Act signed by an officer of the information submitter or by an employee or agent designated by an officer. The officer delegating signing authority to an employee or agent must be identified in the declaration.
4. Provide a name and email address of the person for the Administrator, or the Council, to contact regarding the potential release of information by the Administrator, or the Council. An information submitter may designate as many as three people by name and email address for all document submissions to the Administrator, or the Council. Failure of the information submitter to monitor and respond to Administrator or Council, communications by any specified deadlines in such communications, to the designated email address(es) does not preclude release of information per section E.2. below. There is no requirement for the Administrator staff to contact each name provided. To designate or change the designated email address and contact name, an information submitter shall send an email to the CEA's [Director of Enterprise Legal & Compliance Management Department](#) at records@calquake.com.

If an information submitter satisfies the requirements in this section, then the Administrator, or the Council, will segregate such information in its records. If the Administrator, or the Council, receives a request, whether through the California Public Records Act or otherwise, requiring the production of claimed confidential information, it will evaluate the legal authority for the Administrator, or the Council, to withhold the document from the public and follow the process established in section E.2. below.

E.2. PROCESSING OF CALIFORNIA PUBLIC RECORDS ACT REQUESTS THAT IMPLICATE INFORMATION CLAIMED TO BE CONFIDENTIAL

This section applies if an information submitter has satisfied section E.1. above.

1. Before releasing information in response to a California Public Records Act request, or in any other context, the CEA's Legal & Compliance Department will determine, based on the information it has, whether the information submitter has established a lawful basis of confidentiality. If CEA Legal & Compliance requires additional information, it may notify the information submitter of the California Public Records Act request and ask the information submitter to provide further information.
2. If CEA Legal & Compliance concludes the information submitter has established a lawful basis for confidential treatment, it will not release the information and will

notify the California Public Records Act requester of its decision to deny the request partially or completely.

3. If CEA Legal & Compliance concludes the information submitter has failed to establish a lawful basis for confidential treatment, it will notify the information submitter of this determination, and provide the information submitter a reasonable amount of time, subject to applicable timing limitations, if any, set forth in the California Public Records Act, to seek a court order protecting the information submitter's allegedly confidential information.
4. The Administrator, and the Council, will follow all required deadlines and requirements of the California Public Records Act in responding to California Public Records Act requests. These procedures are not intended to contradict or circumvent those requirements in any way.

II. ADMINISTRATOR'S CLAIMS REVIEW PROCESS

The primary purpose of the Administrator's claims review process is to determine if a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the valuation and payment of Third-Party Claims. The Administrator's review of Third-Party Claims has two distinct parts: a Threshold Claims review and an Eligible Claims review. Each is described in greater detail in the following sections.

While the Administrator will review Threshold Claims separately from Eligible Claims, the processes and standards described herein will apply to each of those evaluations. In a Threshold Claims review, the Administrator will evaluate Third-Party Claims that a Participating Utility has paid, or made binding commitments to pay, that, in the aggregate, meet the Participating Utility's Threshold Amount for a particular Coverage Year. If the Administrator determines that the total amount paid or committed to be paid by the Participating Utility was consistent with the exercise of Reasonable Business Judgment, then the Participating Utility may seek reimbursement from the Fund for payment of Eligible Claims for the applicable Coverage Year.

The Administrator's review of Eligible Claims will then determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the following statutory standards of claim review set forth in section 3292.f. of the Public Utilities Code:

"Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the administrator shall be paid unless the administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of such business judgment. To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.

The administrator shall approve a settlement of an eligible claim that is a subrogation claim if the settlement exceeds 40 percent of the total asserted claim value, as determined by the administrator, and includes a full release of the balance of the asserted claim so long as the administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms.

A subrogation claim that is finally adjudicated shall be paid in the full judgment amount.”

Also, the Administrator will pay the full adjudicated amount of all Eligible Claims, including Subrogation Claims, that are Finally Adjudicated as defined herein.

The following sections provide additional detail on the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

A. REASONABLE BUSINESS JUDGMENT STANDARD FOR CLAIMS REVIEW

As provided in the Definitions section, Reasonable Business Judgment is a judgment of the value of a claim that is based on consideration of the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim. The key point is that Reasonable Business Judgment focuses on the process employed by the Participating Utility rather than the end result. Therefore, the Administrator’s review should focus on two questions:

- Did the Participating Utility rely on the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim?
- Was the Participating Utility’s process one that is generally relied upon to reach a fair evaluation of the amount of the claim?

In determining whether a Participating Utility exercised Reasonable Business Judgment in resolving wildfire claims under the guiding principles adopted by the Council, the Administrator will consider the following:

1. The Participating Utility’s general procedures for evaluating and paying claims.
2. Whether the amount paid is Finally Adjudicated as defined herein, and/or whether it resulted from a judgment, mediation, arbitration award or informal negotiation.
3. The extent to which the Participating Utility based its settlement decisions on documentation and other information appropriate for the types of damages and losses claimed.
4. The extent to which the Participating Utility based its settlement decisions on consultation with SME’s appropriate for the types of damages and losses claimed.
5. The costs and risks of further litigation with the Third-Party Claimants.
6. The extent to which the amount paid reflects legally recoverable damages.
7. For Subrogation Claims, claims paid at less than or equal to 40% of total asserted claim value will be assumed to reflect the exercise of Reasonable Business Judgment unless the Administrator finds that the facts and circumstances

surrounding a particular claim indicate a failure to exercise Reasonable Business Judgment.

8. For all claims, the relationship between the value of the amount claimed and the amount paid.
9. Finally Adjudicated claims, as defined herein, will be paid in the full judgment amount.
10. The Participating Utility's process for eliminating duplicate damage claims between a Third-Party Claimant and the subrogated insurer for that claimant.
11. Any other relevant and valid considerations.

Additional information on the documentation and information, including the use of SME's and the process, including the legal standards for valuation of typical wildfire damages, are provided in the following sections.

A.1. DOCUMENTATION AND INFORMATION - USE OF SUBJECT MATTER EXPERTS

The use of Subject Matter Experts (SMEs) to determine whether a Participating Utility exercised Reasonable Business Judgment in resolving claims is a key component of the claims review process. SMEs identify what types of documentation and other information are "generally relied upon to reach a fair evaluation of the amount of the claim," using the definition of Reasonable Business Judgment, within the specific area of expertise of an SME. SMEs may also identify whether the Participating Utility's process was one that is "generally relied upon" in valuing certain types of damages.

In drafting these Procedures, the Administrator consulted with SMEs with expertise valuing the damage types typically found in wildfire claims. These areas are:

- Real Property (Structures and Land)
- Loss of Use/Additional Living Expenses
- Personal Property/Business Personal Property
- Business Income Loss
- Crops
- Trees
- Personal Injury, Wrongful Death, Emotional Distress
- Fire Suppression Costs

The use of SMEs supports the key features of the claims review process in the following ways:

- Expedites claims review by identifying documentary support considered reliable among experts.
- Helps identify claims lacking in reliable support for which further inquiry may be needed.
- Helps identify claims that may require specific review.

A.2. PROCESS – LEGAL STANDARD FOR VALUATION OF TYPICAL WILDFIRE DAMAGES

In determining whether the Participating Utility's process in resolving a claim was consistent with Reasonable Business Judgment, the Administrator must consider whether the amount paid by the utility is recoverable under California law. ~~For example, under California law, a subrogating insurer suing a utility may only recover damages that are recoverable under the law, regardless of whether such payments are allowed or required under the particular policy. If a Participating Utility pays a subrogation claim from an insurer based on the policy language where the claim is not allowed under the law, such payment is not within Reasonable Business Judgment.~~

Below is an overview of the Administrator's current understanding of the legal measure of damages for the types of damages typically associated with wildfires. At the start of any claims review process, the Administrator will review and update, as necessary, the legal measure of damage for the typical wildfire damage categories.:

1. Real Property (Structures and Land):
 - a. Baseline Measure: The lesser of either the cost to repair or the diminution in the fair market value of the property caused by the fire (plus loss of use during the time of repair, as discussed in section 2 below).
 - b. Exceptions: Repair costs that exceed diminution in value are recoverable if the property owner demonstrates that he or she has a "genuine desire" to repair or replace the property for personal reasons, and the costs of repair or replacement are reasonable given the damage to the property, its pre-fire value, and its value after repair.
2. Loss of Use/Additional Living Expenses
 - a. Baseline Measure: The reasonable cost to rent similar property for the reasonable length of time when the claimant could not use the property due to the damage.
 - b. Exceptions: None noted.
3. Personal Property, including Business Personal Property:
 - a. Baseline Measure: For destroyed personal property, the measure is the fair market value of the item before it was destroyed. For damaged personal property the measure is the lesser of diminution of value or cost to repair, plus loss of use during the time of repair and any residual loss in value because of the repair (e.g., if a repaired vehicle has a lower value because it had been previously damaged).
 - b. Exceptions: The measure for personal property that is so unique as to have no readily identifiable market (e.g., one-of-a-kind items) is an amount that is fair and reasonable under the circumstances.
4. Business Income Loss:

- a. Baseline Measure: Businesses whose property is damaged resulting in income loss can claim net income loss during a reasonable repair time and until the business has recovered to its previous level. The loss is calculated by adding the actual past income loss during the repair period to any reasonably certain future income loss, if any. Due allowance will be made in the calculation for any savings in the costs of sales, employee wages or benefits, taxes, and any other variable expenses.
 - b. Exceptions: None noted.
5. Crop Losses:
- a. Baseline Measure: The expected market value of the crop before the damage, less the cost of producing and marketing the crop that would have been incurred.
 - b. Exceptions: For perennial crops, claimants can recover the difference between the rental value of the land with the crop and the land without the crop for the duration of time that it takes to restore the crop.
6. Trees:
- a. Baseline Measure: Tree values are typically assessed by professional arborists who use various published standards for appraising trees.
 - b. Exceptions: Tree valuations should consider the extent to which the lost trees contributed to the fair market value of the property as a whole. Otherwise, the added value of trees may exceed the diminished fair market value of the property.
7. Personal Injury, Wrongful Death, Emotional Distress:
- a. Baseline Measure for Personal Injury: Claimants who suffer personal injury caused by the fire can recover the reasonable cost of past and future medical care, emotional distress, and lost income/earning capacity if the injury prevents them from earning income.
 - b. Baseline Measure for Wrongful Death: Family members can claim a loss of financial support, gifts/benefits, and value of household services provided by decedent, as well as funeral/burial expenses and noneconomic damages such as the loss of love, comfort, and care.
 - c. Exceptions: None noted.
8. Fire Suppression Costs:
- a. Baseline Measure: Reasonable cost of firefighting, as well as providing rescue or emergency medical services along with administrative costs.
 - b. Exceptions: None noted.

B. CLAIMS REVIEW METHODS

The review of individual claims is the principal method by which the Administrator will determine whether the Participating Utility exercised Reasonable Business Judgment

when resolving claims. The Administrator may conduct statistical sampling in order to derive a representative set of claims for individual review. Individual claim reviews are more detailed evaluations of claims information and may involve more time and resources than statistical sampling, depending on the volume of claims submitted.

B.1. INDIVIDUAL CLAIM REVIEWS

In fulfilling the claims review requirements of section 3292 of the Public Utilities Code, four key steps have been defined for the review of individual claims submitted by the Participating Utilities for evaluation by the Administrator as part of the Threshold Claims and Eligible Claims reviews. The purpose and areas addressed in each step are as follows:

1. **Data review and validation.** The purpose of this step is to validate and establish the core data about each claim. This involves confirmation that the claimed damage was caused by a Covered Wildfire; if a Subrogation Claim, the identity of the insurer or other subrogating entity; and a review of the supporting documentation. Missing documentation will be requested and the amount of each type of claimed damage submitted to the Participating Utility will be reconciled with the amount paid by the Participating Utility.
2. **Claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value.** This step of the claims review focuses on Subrogation Claims paid at less than or equal to 40% of the total asserted claims value and that the Administrator determines have been settled consistent with Reasonable Business Judgment standard referenced in section 3292(f)(1) of the Public Utilities Code. The primary focus of review of these claims is confirming that the paid amount truly is less than or equal to 40% of the asserted claim value. This involves a review for any failure to use Reasonable Business Judgment by establishing the asserted values for each damage type and confirming that these values are supported by suitable documentation. The review at this step will also confirm that the asserted value represents **no more than** 40% of the claim submitted to the Participating Utility. Subrogation claims that are Finally Adjudicated as defined herein will be paid in full.
3. **Validation and valuation of other Subrogation and non-Subrogation Claims which require further detailed review.** This step involves a more detailed review of the basis supporting the Participating Utility's determination of the settlement amount, including identifying and considering the information and documentation relied upon by the Participating Utility. The Administrator conducts a detailed review of claims to determine the extent to which full supporting evidence was used and available. The Administrator's review of Subrogation Claim settlements exceeding 40% of the total asserted claim value will use the Reasonable Business Judgment standard referenced in section

3292(f)(2) of the Public Utilities Code and defined herein. This more detailed review involves itemizing the types of damage, claim amounts, the way in which the claims were validated in relation to the description and scope of the damage, and whether the use of an SME was warranted in this exercise and then deployed. The review will consider the evidence used to support the claim and whether the Participating Utility exercised Reasonable Business Judgment in reaching the settlement amount. Documentation reviewed by the Participating Utility in this determination should be considered. This step also involves confirmation of the basis of resolution of the claim by the Participating Utility – negotiated settlement, judgment, mediation etc. Any errors in the calculation of this valuation are to be noted and recorded. Finally adjudicated claims as defined herein will be paid in full.

4. **Confirm Administrator allowable value.** This final step confirms the amount that is allowable by the Administrator for the Third-Party Claim. The review will include confirmation that there is adequate proof of payment by the Participating Utility and a final data check for consistency with claimed amounts before recommending an allowable and/or reimbursable sum by the Administrator.

B.2 STATISTICAL METHODS

Appropriate statistical methods may be employed for the review of Threshold Claims or Eligible Claims. A statistician may assist the Administrator in the claims review process by working with the data submitted by the Participating Utilities. This may involve creating statistically meaningful samples of the data to be used in the selection of random files for review, as well as analyzing the data, and extracting from the data particular information. To that end, the purpose and activities of statistical analyses in the claims review process are directed towards:

1. Expediting the claims review process by developing statistically significant random samples of claims for more detailed review.
2. Identifying duplicate claims.
3. Identifying common ranges of claim amounts in particular geographic areas, indicating certain claims that may warrant closer review.
4. Identifying common ratios between amounts of particular damage categories to identify outliers.
5. Suggesting any other areas of inquiry that the data reveals, and which may be relevant to an evaluation of Reasonable Business Judgment and of use in the claims review process.

The identification of "outliers" is an important function of statistical sampling. "Outliers" are claims with values outside the norm that may warrant individual claim review. The specific definition of an "outlier claim" will depend on what constitutes the norm in any

given data set. Some examples of statistical analyses that may be performed to identify potential outliers and/or anomalies for further evaluation by an individual claim review are as follows:

- Determination and identification of any claim with a value in excess of \$10,000,000.
- Determine average-median loss amounts by damage types and identify those claims that are significantly higher than the averagemedian.
- Identify claims by specific location, by street for example, to determine the average-median value of a particular damage type and identify claims that far exceed the averagemedian. These addresses may then be identified for the Administrator to consider conducting a more detailed review of that claim.
- For real property claims, determine average ratio of total structure loss to total loss of use losses. Compare the average ratio to the particular claims and identify losses where the relationship of the loss of use total to structure loss is unusually high.
- For real property claims, identify structure loss amounts that may represent a loss that has reached the insurance policy limit. Compare structure loss amounts to contents losses and identify contents amounts exceeding 50% of structure loss amount.
- Analyze itemized claims data to determine if the Participating Utility received duplicate claims for the same losses from the subrogating insurer and its insured. Submit a listing of identified duplicates to the Administrator for further review.
- Identify any additional anomalies in the data, such as a large claim for Additional Living Expense but no claim for damage to a home, locations outside the area of a Covered Wildfire based upon ZIP Code, and loss dates outside the known dates of the Covered Wildfire.

The individual claim reviews determined by the identification of outliers and/or anomalies will be in addition to individual claim reviews determined by the statistically significant random file review.

B.3. CLAIMS REVIEW REPORTING

Results of the claims review process will be compiled into reports for both Threshold Claims and Eligible Claims. These reports will include an assessment of the Participating Utility's use of Reasonable Business Judgment and standard of practice in claims settlement. The report may contain summary information, including the name of the involved Participating Utility; name of the Covered Wildfire (if assigned) and the dates of the fire; the dates of the claim review and key personnel who participated in the review; the number of claims selected by the statistician; and the number of claims reviewed broken down by random sample claims and outlier claims. The summary may also

comment on the sample size as compared to the total amount of claims submitted by the Participating Utility, and report and categorize any errors in the data or the process.

Claims review reports will summarize the evaluation of different aspects of the claim handling process of the Participating Utility. Each aspect will be reviewed against a system of ratings that considers the application of Reasonable Business Judgment. Specific sections of the report may include:

1. **Overall evaluation of results of claims review.** This section provides a brief explanation of the findings, including how they were determined, and the number of claims deemed to be within Reasonable Business Judgment and accepted by the Fund, and the number of claims that are deemed to be outside Reasonable Business Judgment and rejected by the Fund, as well as the number of claims per rating as described above.
2. **Specific results of review.** This section reports the results of the specific areas of individual claims review, with a summary of ratings for each specific area – data review and validation; claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value; and validation and valuation of other Subrogation and non-Subrogation Claims which required further detailed review. All Finally Adjudicated claims will be confirmed as meeting the definition of “Finally Adjudicated” contained in these Procedures before being paid in full.
3. **Confirm Administrator allowable value.** This section will state the number of claims accepted and the accepted dollar amount. It will list claims requiring additional information before being accepted and any claims and amounts that have been disallowed.
4. **Recommendations.** This section includes any claims handling guidance the Administrator may have for the Participating Utility. Insights as to why claims or portions of claims were disallowed will also be included.

In addition to the summary report, the Administrator will generate reports from the claims submission data, for example, regarding Subrogation Claims settled at or below 40% of claimed value, Subrogation Claims settled above 40%, and claims resolved on an adjudicated basis.

The Administrator may in its sole discretion share the details of the claims review results that it determines are reasonably necessary to communicate with and between the Participating Utilities in order to enhance the claims administration relationship between the Participating Utilities and the Administrator.

C. THRESHOLD AMOUNT CLAIMS REVIEW

To determine whether a Participating Utility has met the Threshold Amount for a particular Coverage Year and may submit claims to the Fund for reimbursement, the Administrator must determine that the Participating Utility exercised Reasonable Business Judgment in resolving and paying, or making commitments to pay, the claims that comprise the Threshold Amount. The Participating Utility claiming to have met the Threshold Amount must provide the Administrator with specific information about the Threshold Amount claims as set forth in the agreed claims data template. This template is a consolidated spreadsheet setting out specific data fields to be provided within the schedule of claims that are submitted for Threshold Amount claims review.

After receipt of the claims data, the Administrator will first review the information to ensure that all Threshold Amount claims resulted from Covered Wildfires and have either been paid by the Participating Utility or there is a binding commitment to pay them. Claims not paid at the time of submission of the claims data to the Administrator will be excluded in the calculation of whether the Threshold Amount has been met unless proof of a commitment to pay is also submitted.

Claims that the Administrator determines were paid on Covered Wildfires will then be evaluated to determine whether the amounts paid to reach the Threshold Amount were paid consistent with the exercise of Reasonable Business Judgment. This review may include the evaluation of a statistically significant selection of representative claims or damage types, claim-by-claim analysis, or such other methods as the Administrator deems appropriate in the exercise of its sole discretion.

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

The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

After completing the review of Third-Party Claims submitted by the Participating Utility, the Administrator will issue a Final Determination of Eligibility if it finds that the Threshold Amount has been met through the Participating Utility's exercise of Reasonable Business Judgment. Upon the issuance of a Final Determination of Eligibility, the Administrator will consider claims above the Threshold Amount for reimbursement.

If the Administrator finds that the Participating Utility has not met the Threshold Amount, it will issue a Preliminary Determination of Eligibility with one of the following findings:

1. A preliminary finding that the Participating Utility did not provide sufficient information or documentation demonstrating the exercise of Reasonable Business Judgment, and that no part of the Threshold Amount will have been satisfied and no Third-Party Claims will be further considered for reimbursement.
2. A preliminary finding that a certain percentage or amount of the Threshold Amount has been satisfied but that the remainder is not supported by proof of the exercise of Reasonable Business Judgment, and that no Third-Party Claims will be considered for reimbursement until the balance of the Threshold Amount has been met.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligibility, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility shall submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving claims within the Threshold Amount.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligibility, the Administrator will issue a Final Determination of Eligibility.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

The purpose of the Threshold Amount claims review is to determine whether the Participating Utility has exercised Reasonable Business Judgment in the payment of Third-Party claims and if claims paid on Covered Wildfires in aggregate exceed the Threshold Amount in any coverage year. The primary method for this determination is an individual claims assessment. However, depending on the volume of claims submitted, the Administrator may use statistical sampling to derive a representative sample of claims for individual review.

Figure 2 illustrates the specific steps in the Threshold Amount claims review process, which are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an agreed format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and that any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in

the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate by the Administrator.

- **Individual claims review.** This involves the use of a structured claims review procedure to conduct a due diligence assessment of the application of reasonable business judgment on a claim-by-claim basis. This specific procedure is described in more detail in the “Individual Claims Review” section B.1. above.
- **Threshold Claims report.** This report, which is described in the “Claims Review Reporting” section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of settled claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator’s determination of eligibility.** This involves the review and approval of the Threshold Amount claims report and a report on findings (preliminary or final) with the Participating Utility. In the event that a finding is preliminary, the Administrator requests, receives and reviews any additional information provided by the Participating Utility and revises findings as needed. Once the finding is final, the Administrator issues a Threshold Amount determination and may begin reimbursing submitted Eligible Claims. The Administrator will report its final determinations of eligibility to the Council.

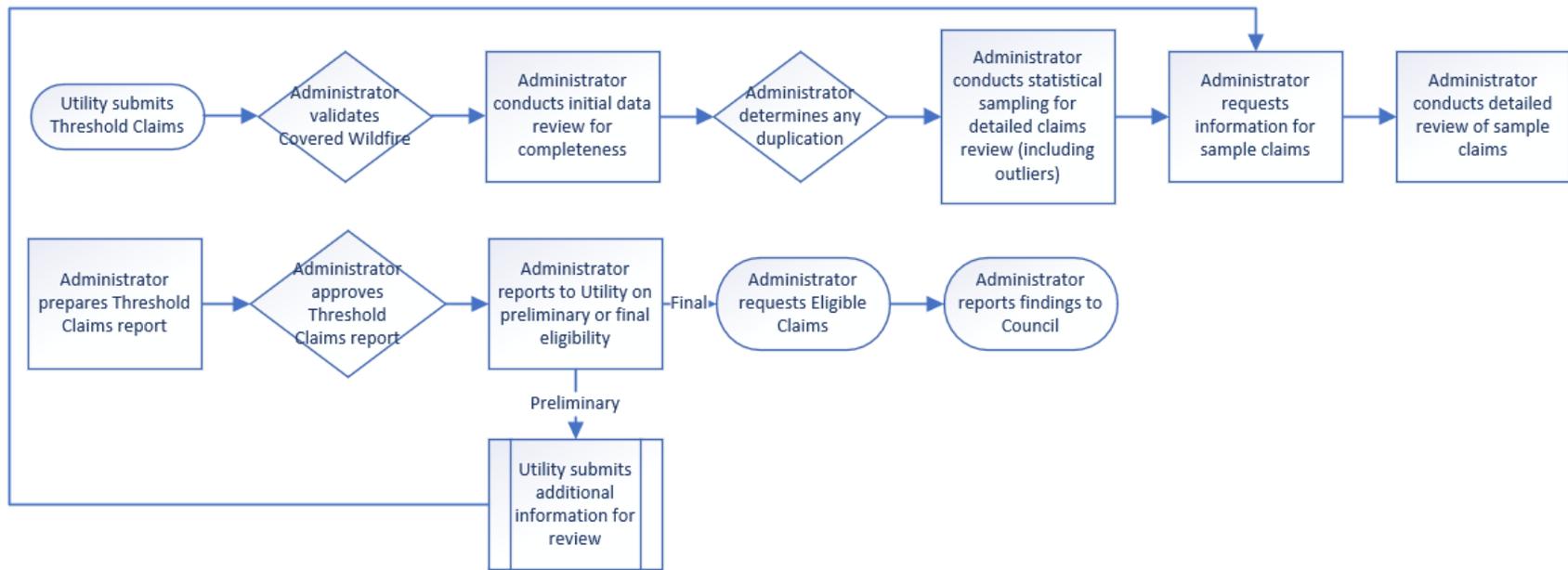


Figure 2. Illustration of the Threshold Amount Claims Review Process

D. ELIGIBLE CLAIMS REVIEW

When the Administrator determines the Participating Utility has met or exceeded the Threshold Amount, the Participating Utility may request reimbursement from the Fund for payment of Eligible Claims arising from Covered Wildfires occurring during the applicable Coverage Year. The Administrator's review of Eligible Claims will determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the statutory standards of claim review set forth in section 3292 of the Public Utilities Code. Participating Utilities are entitled to reimbursement for only those amounts that the Administrator determines were paid consistent with the exercise of Reasonable Business Judgment.

For each Eligible Claim submitted for reimbursement, the Participating Utility must provide the Administrator with the information set out in an approved format to be provided by the Administrator. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

Eligible Claims submissions will be reviewed either on an individual claims basis or using a statistically significant random sample to determine the extent to which the claims are entitled to reimbursement. The purpose of the Eligible Claims review, like that of the Threshold Amount claims review, is to determine whether the Participating Utility exercised Reasonable Business Judgment in its decision to pay the settlement amount.

After completing the review of Eligible Claims submissions, the Administrator will issue a Final Determination of Eligible Claims if it finds that the Participating Utility exercised Reasonable Business Judgment in its claims settlement. Upon the issuance of a Final Determination of Eligible Claims, the Administrator will reimburse the Participating Utility. If the Administrator is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment, it will issue a Preliminary Determination of Eligible Claims with a request for additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the claims can be further considered for reimbursement.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligible Claims, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility must submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving the claims.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligible Claims, the Administrator will issue a Final Determination of Eligible Claims.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

Figure 3 illustrates the specific steps involved in the Eligible Claims review process and are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an approved format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate.
- **Individual claims review.** This involves the use of a structured claims review procedure to assess the application of Reasonable Business Judgment on a claim-by-claim basis. This specific procedure is described in more detail in the "Individual Claims Review" B.1. section above.
- **Eligible claims report.** This report, which is described in "Claims Review Reporting" section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category, with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of the asserted claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value for reimbursement and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator's determination of eligibility.** This involves the review and approval of the Eligible Claims report and a report on findings (preliminary or final) to the Participating Utility. If the finding is preliminary, the Administrator will request, receive, and review any additional information provided by the Participating Utility, and will revise the finding as needed. Once the finding is final, the Administrator will issue an Eligible Claims determination and reimburse Eligible Claims. The Administrator will report its findings to the Council.

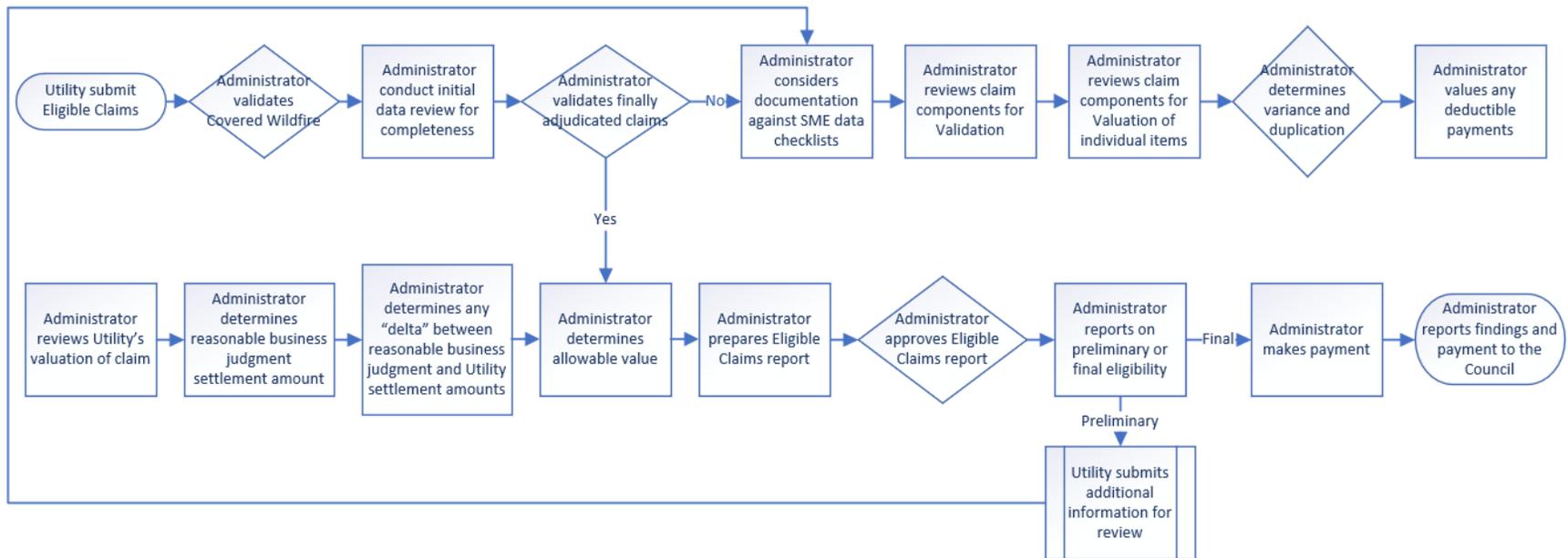


Figure 3. Illustration of the Eligible Claims Review Process

E. CLAIM PAYMENT PROCESS

Following the completion of the Eligible Claims report and the Administrator's determination of final eligibility, the Administrator will reimburse the Participating Utility for the amount that the Administrator determines to be reimbursable. Policies and procedures for the claim payment process are as follows:

1. The Administrator will create one or more controlled disbursements accounts for purposes of making claim payments from the Fund. Participating Utilities will be required to provide payment instructions to the Administrator.
2. The Administrator will reimburse Eligible Claims within 45 days after the date the Administrator approves the confirmed reimbursement amount, unless that timing is not practicable under the circumstances.
3. When the Administrator has determined that the Threshold Amount has been met for a particular Coverage Year, the Administrator will have the right, but not the obligation, to provide payment to the Participating Utility for Eligible Claims after the amount of those Eligible Claims incurred by the Participating Utility are finally determined but before those Eligible Claims are actually paid by, or on behalf of, the Participating Utility.
4. While the Wildfire Fund is under no obligation to advance funds to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, the Administrator reserves the right to advance payments in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
5. The Administrator reserves the right to recall claim payments from the Participating Utility in the event of over-payment or the Participating Utility's recovery of Eligible Claims from other parties.
6. If at any point in time the Administrator makes the determination contemplated under Public Utilities Code section 3292(i)(2), the Administrator will notify all Participating Utilities of such determination and, to the extent necessary, describe the Administrator's plan for the equitable apportionment and distribution of remaining funds to any Participating Utilities with unpaid Eligible Claims.

Once a Participating Utility has received any payment from the Wildfire Fund for Eligible Claims, the Participating Utility must comply with the laws and regulations related to a Catastrophic Wildfire Proceeding as defined in section 1701.8.(b) of the Public Utilities Code. The Participating Utility must file an application to the California Public Utilities Commission (the "Commission") to commence a Catastrophic Wildfire Proceeding. Based on the Commission's decision in a Catastrophic Wildfire Proceeding, a Participating Utility may be required to reimburse the Wildfire Fund.

F. TESTING

The Administrator will develop and implement a plan to periodically test the claims review systems, operational documentation, and Procedures used by the Administrator for the claims review process. Testing will be conducted before any claims review services provider starts reviewing Third-Party Claims submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

The claims review systems and operational documentation may be revised and updated to improve the claims handling. The Administrator will seek Council review and approval for any amendments or updates that materially affect the Procedures.

G. QUALITY CONTROL

The Administrator will have a quality control process in order to ensure that the Procedures are implemented and adhered to. Quality control processes will be operated by the Administrator and any claims review service provider that the Administrator may retain. Agreed reporting levels for quality control between any claims review service provider and the Administrator will be negotiated and implemented.

GH. INDEPENDENT AUDITOR

The Administrator reserves the right to appoint an Independent Auditor to review the Administrator's claims handling processes. The Independent Auditor will be responsible for auditing the claims review, reporting and quality control as situations demand. The Independent Auditor will provide a report in writing to the Administrator. The Independent Auditor will be independent of and unrelated to any vendor providing claims review services for the Administrator and its quality control processes. The Independent Auditor will be accountable solely to the Administrator.

HI. DISPUTE RESOLUTION

In the event any Participating Utility claims to be aggrieved by any action or failure to act by the Administrator, the Participating Utility and Administrator shall first, in good faith, attempt to resolve the dispute between themselves. If the Participating Utility and the Administrator fail to resolve the dispute between themselves, the Council will, upon written demand by the Participating Utility that specifies the details of the Administrator's action or failure to act, allow the Participating Utility an opportunity to make its complaint during a Council meeting. The Council may, but is not required to, choose to set a special meeting to hear the Participating Utility's complaint, or it may choose to do so as an agenda item at a regularly scheduled meeting, or both. The

Council shall exercise its oversight pursuant to Public Utilities Code section 3281(d) and may fashion appropriate resolutions of the dispute.

4. REPORTING TO THE COUNCIL

The Administrator will provide a quarterly Claims Administration report to the Council on the implementation of these Procedures and status of any claim submissions and reviews underway. The quarterly reports will include the following:

- Liaison activities with Participating Utilities.
- Status of Covered Wildfires for each Participating Utility by Coverage Year, including information on the status of settlements and incurred losses for Third-Party Claims.
- Status of claim submissions to the Fund, tracking the submission and review status for both Threshold Amount claims and Eligible Claims submissions made by each Participating Utility by Coverage Year, including the Administrator's determinations of eligibility of both Threshold Amount claims and Eligible Claims, and the Administrator's confirmed allowable values for the Threshold Amount or reimbursement of Eligible Claims.
- Status of paid and expected reimbursements by the Fund on a current basis, including any payments to the Participating Utility for Eligible Claims for which the settlements are finally determined but have not yet been actually paid by, or on behalf of, the Participating Utility, and any other advance payments that the Administrator has made to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
- Status of quality control and independent auditing processes that may be underway.
- Status of any dispute resolution efforts that may be underway.
- Status of operational documentation and any modifications that may have been made to the documentation.
- Status of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments.

The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.



CLAIMS ADMINISTRATION PROCEDURES

WILDFIRE FUND ADMINISTRATOR

APPROVED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
JULY 22, 2021

AMENDED BY THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL
XX/XX/2023

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PREFACE

These Claims Administration Procedures (“Procedures”) provide a plan of operations for the Administrator of the Wildfire Fund (“Fund”) to fulfill its claims review, approval, and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code, as these sections may be amended, subject to the approval and oversight by the California Catastrophe Response Council (“Council”). They have been drafted prior to any claims submission to the Fund and thus reflect a current view of the process for review and approval of claims as well as the Administrator’s efficient operation and management of the Fund. The Administrator, Council, and Participating Utilities have a common interest in cooperating with each other, to the extent permitted by law, in order to share information protected by the attorney-client privilege and by the attorney work product doctrine with respect to claims administration, protection of claimant privacy, and maintaining the durability of the Fund.

Operational documentation will provide more detailed implementation direction for the Procedures and particularly for the Administrator’s claims review process. The operational documentation may be updated as claims handling experience is gained. The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.

The Administrator will promptly notify the Council of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments. Upon request from a Council member, the Administrator will place a matter on the agenda for the next public meeting of the Council to allow for discussion and comment on the required changes.

OVERVIEW

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

In 2019, the California Legislature addressed these concerns with its adoption of Assembly Bill (AB) 1054 and signed into law by the California Governor on July 12, 2019. That bill contained several measures, including the creation of a Wildfire Fund (the "Fund") to be funded by participating electrical corporations ("Participating Utilities," as defined below) with additional contributions derived from a ratepayer charge that was approved by the California Public Utilities Commission.

The Legislature's intent in creating the Fund was to provide a mechanism for Participating Utilities to pay wildfire claims which provides mutual benefits to ratepayers and Participating Utilities. Fund benefits are available only under specific, limited conditions as defined by the Legislature. Monies will be paid from the Fund only to the extent that a Participating Utility demonstrates that its payment of claims reflects the exercise of Reasonable Business Judgment as defined herein.

To accomplish those goals, the Legislature vested discretion in an Administrator of the Wildfire Fund (the "Administrator," as defined below) to establish procedures for the review, approval, and timely funding of Eligible Claims to the Fund, consistent with the legislative goals of the bill and as approved by the California Catastrophe Response Council (the "Council," as defined below). The California Earthquake Authority ("CEA") was appointed as the Administrator on April 23, 2020.

The Fund reimburses Participating Utilities for Eligible Claims arising from a Covered Wildfire, that ignited on or after July 12, 2019, and that a Determining Governmental Entity has found was caused by a Participating Utility, as described in section 1701.8(a)(1) of the Public Utilities Code. Only Eligible Claims shall be made against or paid by the Fund. To access the Fund, Participating Utilities must have an aggregation of wildfire losses in a Coverage Year that exceeds an annual aggregated Threshold Amount.

The Legislature did not substitute the Administrator's judgment for that of the Participating Utility in settling claims made against a Participating Utility after a Covered Wildfire(s). However, Participating Utilities must develop and demonstrate reasonable standards when resolving wildfire claims. The fundamental principle is that the

Participating Utility will have made a determination of legally recoverable damages and will not have included settlement items that are not recoverable at law.

The purpose of these Claims Administration Procedures (“Procedures”) is to guide the Administrator, through its own internal staff and any vendors that it retains, in fulfilling its claims review, approval and funding obligations consistent with the requirements specified in sections 3280 – 3297 of the California Public Utilities Code. Figure 1 provides an illustration of the entire process of claims arising from Covered Wildfires, how claims are filed and reimbursed by Participating Utilities, and the submission of claims by Participating Utilities for reimbursement by the Fund. These Procedures primarily address the submission of claims by Participating Utilities for reimbursement by the Fund—steps 5 and 6 in Figure 1. Liability and the responsibility for claims handling and direct interaction with claimants—steps 1 through 4 in Figure 1—remain with the Participating Utilities and its claimants. Any responsibilities of the Administrator for potential reimbursement to the Fund associated with a Catastrophic Wildfire Proceeding—defined in section 1701.8.(b) of the Public Utilities Code, and step 7 in Figure 1—are not part of these Procedures and will be handled separately.

The Procedures also reflect the policy direction and guidance provided by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*, approved by the Council on October 22, 2020, and the *Claims Administration: Expanded Summary of Procedures* approved by the Council on January 28, 2021. The Council’s adoption of the *Expanded Summary of Procedures* and the *Provisional Policy Statement and Summary of Procedures* are in keeping with the *Articles of Governance* in which the Administrator is authorized to operate the Fund within the framework established by law and in accordance with claims administration procedures approved by the Council.

These Procedures are organized into two parts:

- I. **General Claims Administration Information** – outlines the principles and defines key terminology used in the Administrator’s claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.
- II. **Administrator’s Claims Review Process** – describes the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

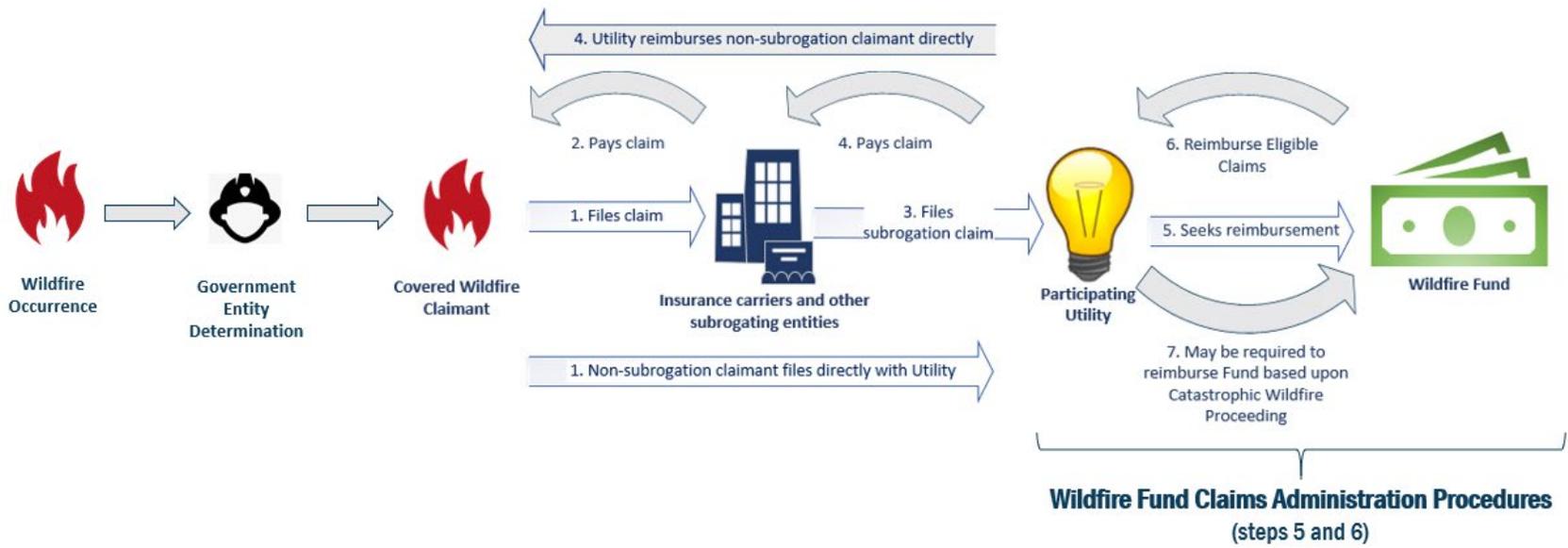


Figure 1. Illustration of the process of handling claims arising from Covered Wildfires

I. GENERAL CLAIMS ADMINISTRATION INFORMATION

This part of the Procedures outlines the principles and defines key terminology used in the Administrator's claims review processes, describes the roles and responsibilities of both the Administrator and the Participating Utilities, and provides guidance on data confidentiality and privacy.

A. PRINCIPLES OF CLAIMS ADMINISTRATION

To assure that the Administrator's claims review processes are consistent with the Legislature's goals in creating the Fund, the Administrator's development of these Procedures is guided by a set of principles approved by the Council in its adoption of the *Claims Administration: Provisional Policy Statement and Summary of Procedures*. The principles that apply broadly to claims administration and the development of these Procedures are as follows:

- Procedures for the presentation and resolution of Wildfire Fund claims will be designed to lead to the efficient and timely resolution of claims for payment from the Fund.
- Stakeholder input is an important part of the development of claims administration procedures and the Administrator will attempt to balance potentially competing stakeholder interests and opinions as appropriate in the Administrator's discretion.
- Procedures will aim to balance the need for complete and thorough claim information with the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.
- Procedures will maintain sufficient flexibility to allow for modification and improvement over time to adapt to future circumstances that cannot yet be predicted, and to account for changes in legal and other standards, while remaining consistent with the legislative intent expressed in the creation of the Fund.
- The Fund will be managed judiciously to assure that payments of Fund benefits are appropriate and that the Fund remains economically viable for the payment of future wildfire claims.

According to section 3284(g) of the Public Utilities Code, the Procedures may be revised from time to time by the Administrator with the approval of the Council. They may also include processes to facilitate and expedite the review and approval of settled Eligible Claims, including guidelines for, or preapproval of, settlement levels. They must also provide for the reimbursement of Eligible Claims within 45 days of the date the

Administrator approves the reimbursement amount for any Eligible Claim unless that timing is not practicable.

In particular, section 3292 of the Public Utilities Code directs the Administrator to review and approve any settlement of an Eligible Claim as being in the Reasonable Business Judgment of the Participating Utility as a prerequisite to releasing funds for payment. The Reasonable Business Judgment standard, as employed in these Procedures, primarily emphasizes the evaluation of the process by which a Participating Utility has settled claims while also allowing for the evaluation of specific claim resolutions as warranted by these Procedures. The Administrator's review of claims focuses on determining whether the process by which the settlement was reached was appropriate and consistent with Reasonable Business Judgment.

In essence, the claims review processes set forth in these Procedures comprise a "due diligence" review to assure that the Participating Utility's settlement decisions are based on the types of documentation and other evidence typically considered appropriate by reliable subject-matter experts when reaching a decision as to how much to pay in settlement. Given the catastrophic nature of wildfires, the Procedures acknowledge the potential for the destruction or corruption of evidence that might be relied upon to determine a claim settlement. The concept of Reasonable Business Judgment acknowledges that a pragmatic approach on the part of the Participating Utility will be appropriate in cases where evidence has been so destroyed or corrupted. In these cases, the pragmatic approach may involve consideration of the Participating Utility's prior or current experience with valuing similar claims in lieu of other evidence.

B. DEFINITIONS

The following definitions have been reviewed and approved by the Council and provide further clarification of the guidance provided on claims administration in Public Utilities Code sections 3280 – 3297, as amended from time to time.

Administrator – The administrator of the Wildfire Fund appointed by the Council pursuant to section 8899.72 of the Government Code. The California Earthquake Authority was appointed by the Council to serve as the Administrator on April 23, 2020. "Administrator" also includes any third-party claims review services provider and vendors that the California Earthquake Authority retains to review and process claims.

Council – The California Catastrophe Response Council created pursuant to section 8899.70 of the Government Code.

Coverage Year – For any Participating Utility, an annual period of exactly twelve months that commences as of a certain date and time, as declared by the Participating Utility to the Administrator.

Covered Wildfire – As described in section 1701.8(a)(1) of the Public Utilities Code, as amended from time to time, a wildfire that ignited on or after July 12, 2019, and for which either of the following is satisfied: (A) The governmental agency responsible for determining causation or a court of competent jurisdiction determines the wildfire was caused by a Participating Utility. (B) Asserted to have been caused by a Participating Utility and results in a court-approved dismissal resulting from the settlement of third-party damage claims. This includes a wildfire that is triggered by electrical equipment reenergizing after a Public Safety Power Shutoff. It also includes a landslide, mudslide, mudflow, or debris flow that is the result of a Covered Wildfire.

Determining Governmental Entity – As described in section 1701.8 of the Public Utilities Code, as amended from time to time, an entity, agency, or subdivision of the government of the United States of America, State of California, or California county or municipality that is legally charged with the responsibility for determining, and does in fact make a final determination of, the cause of ignition of a wildfire. This includes a determination by a federal or California court of competent jurisdiction that a wildfire, ignited on or after July 12, 2019, was caused by a Participating Utility, or a court-approved dismissal following the settlement of third-party damage claims asserted to have resulted from a wildfire caused by a Participating Utility.

Eligible Claim(s) – As described in section 3280(f) of the Public Utilities Code, as amended from time to time, Third-Party Claims for damages resulting from Covered Wildfires and presented by a Participating Utility for reimbursement from the Fund. “Eligible Claims” include amounts for which a Participating Utility is liable under indemnification agreements, provided that the indemnification owed by the Participating Utility is for the settlement of a settled or Finally Adjudicated claim of a third-party claiming damages caused by a Covered Wildfire.

Final Determination of Eligibility – The Administrator’s final determination of whether the Participating Utility has demonstrated that it has met the Threshold Amount through the payment of Third-Party Claims for damages resulting from Covered Wildfires in the Participating Utility’s exercise of Reasonable Business Judgment.

Final Determination of Eligible Claims - The Administrator’s final determination that the Participating Utility exercised Reasonable Business Judgment in the payment of Eligible Claims and will reimburse the Participating Utility.

Finally Adjudicated – A claim is Finally Adjudicated when a neutral judicial or quasi-judicial third party, such as a court or arbitrator, has issued a final decision on the merits that is binding on the parties and may no longer be appealed. Settlements, consent judgments, and other dispositions that are the result of a voluntary agreement or are not a binding decision by a third party are not Finally Adjudicated claims.

Participating Utility – An electrical corporation that has met all the requirements for participation in the Fund as set forth in section 3292 of the Public Utilities Code.

Preliminary Determination of Eligibility – The Administrator’s initial determination regarding the extent to which a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the payment of Third-Party Claims exceeding the Threshold Amount.

Preliminary Determination of Eligible Claims – The Administrator’s determination that it is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment with respect to one or more claims submitted for reimbursement. The Participating Utility will be requested to provide additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the Third-Party Claims can be further considered for reimbursement.

Reasonable Business Judgment – The judgment by the Participating Utility of the validity and value of a claim that is based on the process employed by the Participating Utility and the types of information and documentation generally relied upon by the Participating Utility to reach a fair evaluation of the Participating Utility’s liability for, and amount of, the claim. Under section 3292(f) of the Public Utilities Code, only claims settled in the “Reasonable Business Judgment” of a Participating Utility are reimbursable by the Fund.

Subject Matter Experts (SMEs) – Individuals advising the Participating Utilities and/or the Administrator with expertise for the valuation and assessment of specific types of damage caused by wildfires.

Subrogation Claim(s) – Claims paid, as a result of a Covered Wildfire, to insurers for recovery of policy benefits paid to their insureds and claimants and based on the insurers’ contractual rights of subrogation of their policyholders’ rights of recovery, or to other persons or entities holding a contractual or equitable right to be reimbursed for payments that person or entity was legally required to make to a third party.

Third-Party Claim(s) – Claims for damages or losses, or other associated expenses, presented to a Participating Utility by any person or entity, including those claiming a right by subrogation and governmental entities, claiming damages resulting from a Covered Wildfire. “Third-Party Claims” do not include losses or damages sustained directly by the Participating Utility.

Third-Party Claimant - A person or entity that files a Third-Party Claim.

Threshold Amount – Claims paid by a Participating Utility as a result of one or more Covered Wildfires that, in the aggregate, exceed the greater of the following for a

Coverage Year: (1) one billion dollars (\$1,000,000,000), or (2) the amount of the insurance coverage required to be in place for the Participating Utility pursuant to section 3293 of the Public Utilities Code.

Wildfire – A accidental and unintentional, uncontrolled fire that (1) is listed on a list of wildfire incidents compiled by the California Department of Forestry and Fire Protection (“CAL FIRE”), or, (2) if not so listed on the CAL FIRE list of wildfire incidents, is determined by the Administrator, in the Administrator’s sole discretion, to be of the nature and sort of fire that should enable a Participating Utility to apply for and receive reimbursement for Eligible Claims from the Wildfire Fund.

Wildfire Fund – The fund created in section 3284 of the Public Utilities Code.

C. ROLE AND RESPONSIBILITIES OF THE ADMINISTRATOR

The Administrator oversees the claims review and payment processes of Third-Party Claims submitted by Participating Utilities for reimbursement by the Fund.

The Administrator’s role includes:

- Developing, maintaining, and revising the claims administration policies and procedures as needed to achieve an adequate level of performance, in the discretion of the Administrator, by claims review service providers, other vendors, and the Administrator staff.
- Seeking Council approval of revisions to the claims administration policies and procedures, and advising claims review service providers and Participating Utilities of any changes as they occur.
- Retaining the necessary claims review service providers and Subject Matter Experts (SMEs) to satisfactorily evaluate Threshold and Eligible Claims, and to provide for accurate and timely payment of Eligible Claims.
- Receiving and reviewing claims review service provider and vendor reports concerning evaluations of claims and eligibility for payment by the Fund.
- Preparing the reports on Preliminary and Final Determinations of Eligibility of claims, and conveying them to the Participating Utility and the Council.
- Managing the establishment and execution of quality control and audit functions for the overall claims administration processes.
- Implementing and managing a dispute resolution mechanism.
- Overseeing the processing for payment issuance within 45 days of the approval of the reimbursement amount.
- Maintaining records of paid and expected reimbursements by the Fund on a current basis.

The Administrator also has responsibilities to liaise with Participating Utilities and retain claims review service providers and other vendors to assist with claims handling. These responsibilities are further defined in the following sections.

C.1. LIAISON WITH PARTICIPATING UTILITIES

The Administrator will appoint a staff member to serve as liaison to confer with Participating Utilities on matters related to claim administration and to conduct an annual review of the claim handling capabilities and processes of Participating Utilities. The Administrator's liaison is responsible for the following tasks, to the extent deemed appropriate by the Administrator:

1. Maintain communication with the liaisons of each Participating Utility regarding claim handling for wildfires, including the current and projected amounts of claims payments made, committed to be made, and/or anticipated to be paid for each Covered Wildfire.
2. Gain an understanding of each Participating Utility's wildfire claims handling organization, practices and procedures that includes information on, without limitation, the following:
 - a. Size and structure of the claims handling organization, experience levels and qualifications of personnel, and personnel staffing at each experience level
 - b. Training and development of personnel
 - c. Authority structure, both internal to the Participating Utility and by vendor, for claims reviews, settlements of claims, and audit and control mechanisms for those authorities
 - d. Procedures for handling large-loss claims and any exceptions to the procedures
 - e. Any claims procedures to resolve claims for reasons other than a reasonable estimation of liability and legally recoverable damages
 - f. Business continuity plans and capabilities to handle significant increases in claims submissions
 - g. Changes in the claim reporting requirements of the Participating Utility's insurance carriers
 - h. Claim support by vendors and the names of and contracts with any claims handling vendors, if used
 - i. Copies of any guidelines that vendors should follow in adjusting claims and how those adjustments are audited and reviewed, including any delegated authority that is provided
 - j. Information technology systems and security, and electronic data extraction and submission methods used to produce claim submissions to the Administrator, as indicated in the reporting requirements for losses
 - k. Data retention policies for all claims related data and documentation

- l. Procedures for identifying claims that are duplicative and/or that are included twice, for example, once in the context of a Subrogation Claim and again in the context of a non-Subrogation Claim made by the person or entity directly sustaining the claimed loss
 - m. Procedures for identifying and investigating potentially fraudulent claims
 - n. Procedures for confirming proof that the Third-Party Claim was actually paid or that the Participating Utility has an existing and legally enforceable obligation to pay that Third-Party Claim.
3. Conduct annual update meetings with each Participating Utility within the first half of each Coverage Year to secure the latest information, as described above, on the claims handling organization, its functioning, and reporting capabilities.
 4. Be available as requested to meet with each Participating Utility to address concerns arising from either the Participating Utility or the Administrator.

C.2. POLICIES AND PROCEDURES FOR USE OF CLAIMS REVIEW SERVICE PROVIDERS AND OTHER VENDORS

The Administrator may retain vendors to execute and comply with these Procedures for the review and approval of Threshold Amount claims and Eligible Claims submitted to the Fund, and the timely funding of Eligible Claims. In this way, vendors will be an integral part of the Administrator's claim handling process.

Vendors are expected to have qualified staff to conduct claim reviews as are deemed necessary by the Administrator. Vendors will be expected to have ready access to experts in loss evaluation for each of the damage types identified in the Procedures. When the Administrator requires the specific expertise during a claim review, the vendor will demonstrate that the expert has suitable credentials.

Vendors are required to review and agree with the Administrator as to the scope, resourcing, and timing of any claims review. Vendors must receive written approval from the Administrator before arranging to conduct detailed claim reviews.

Vendors must be timely in their review of claim submissions as well as be accurate in their evaluations. Reports to the Administrator must be timely and accurate as well.

Vendors must ensure that they identify for the Administrator two points-of-contact familiar with the handling of the Wildfire Fund account to ensure there is always efficient and timely communication with the Administrator.

Vendors are expected to maintain timely communications with the Participating Utility and/or the Administrator during the entire period of the pendency of a claim submission.

D. ROLE AND RESPONSIBILITIES OF THE PARTICIPATING UTILITIES

The Council has adopted guiding principles for the Administrator's development and implementation of the Claims Administration Procedures. Two of those principles that specifically relate to the roles and responsibilities of the Participating Utilities are:

- Participating Utilities must demonstrate reasonable standards when resolving wildfire claims.
- Each settlement for which Participating Utilities seek reimbursement from the Wildfire Fund must be a fully and finally settled claim.

The Participating Utilities are also expected to:

- Appoint a liaison to confer with the Administrator's liaison on all claims-related matters.
- Participate in the Administrator's annual review of the Participating Utilities' claim handling capabilities and processes within the first half of each Coverage Year.
- Be available as requested to meet with the Administrator to address concerns arising from either the Participating Utility or the Administrator.
- Provide the Administrator with information requested as part of pre-claims processes and for the submission of claims to the Fund. These responsibilities are further defined in the following sections D.1. and D.2.

As part of the annual review, it is the responsibility of each Participating Utility to provide the Administrator with a generalized understanding of Participating Utility claims processes and standards used in resolving wildfire claims, and to update the Administrator, at least annually, on any major changes that may materially affect the Administrator's understanding of these processes and standards.

Based upon interviews with the Participating Utilities, the Administrator has developed an initial generalized understanding of the Participating Utilities' claims processes. It is summarized here to provide a contextual and consistent basis for subsequent assessment by the Administrator. Following the intake and acknowledgement (if needed) of itemized claims data, Participating Utilities generally follow a three-part process to validate, value and settle claims:

- Claims validation – involves confirmation that the claim is in relation to a Covered Wildfire(s); if relevant, an initial review to determine the scope and applicability of insurance policy coverage or any applicable contract, and any deductible applied; a review of the itemized claim data supplied and requests for any missing items (as needed); a review of the evidence to support the existence/description of items included in the claim and evidence that can reasonably be provided; and a determination of non-duplication.

- Claims valuation – involves use of valuation standards, tools, and services;; review of any supporting experts’ reports, such as adjusters, engineers, accountants, medical experts; consideration of salvage and value of salvage; confirmation that the claim submitted to the subrogating insurer was covered and paid consistent with the subrogating insurer’s policy or any other applicable contract; calculate the settlement value based on what is recoverable at law, considering injury, actual cash value (ACV), replacement cost value (RCV), market value, and other relevant factors; and confirm final settlement value.
- Claims settlement – involves reaching agreement with the claimant, resolving the claim, and documenting payment.

D.1. PRE-CLAIM PROCESSES

These procedures apply before a Participating Utility presents Eligible Claims for reimbursement from the Fund. These procedures are necessary to expedite the processing of Eligible Claims.

1. The Administrator and each Participating Utility will determine in advance the Coverage Year to be used for the identification of Eligible Claims.
2. Each Participating Utility must develop procedures that capture all relevant details regarding Third-Party Claims that have been paid, or for which there are binding commitments to pay, in a form compatible with the requirements for seeking reimbursement of Eligible Claims from the Fund. This includes policies for claims data retention.
3. Each quarter, or at such other intervals as determined by the Administrator, the Participating Utility must report, in a standardized format specified by the Administrator, all the following to the Administrator with respect to actual or anticipated Eligible Claims:
 - a. The date, location and, if applicable, name of each Covered Wildfire.
 - b. A brief description of the status of efforts to resolve Third-Party Claims and an estimate of the timing of resolution of those claims.
 - c. The total amounts of payments made, or committed to be made, for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - d. To the extent publicly disclosed, the total estimated amount of additional payments anticipated for each Covered Wildfire broken down by damage type, as outlined in section D.2., without identification of particular claims or claimants.
 - e. The status of the determination of causation by the Determining Governmental Entity as to each wildfire that the Participating Utility knows to be or reasonably expects to be determined to be a Covered Wildfire.

4. In addition to the periodic reports described above, each Participating Utility must report the information listed in section 3 above to the Administrator when any of the following occurs:
 - a. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, more than \$750,000,000, in the aggregate, for Third-Party Claims resulting from Covered Wildfires for a single Coverage Year;
 - b. The Participating Utility estimates that it will pay, or enter into binding commitments to pay, any single Third-Party Claim exceeding \$25,000,000 resulting from a Covered Wildfire;
 - c. The Participating Utility has a reasonable belief that it may have Eligible Claims exceeding the Threshold Amount for a single Coverage Year; or,
 - d. Upon request of the Administrator.
5. The information identified in sections 3 and 4 above is not intended to replace the more detailed information required for the formal submission of Eligible Claims, but is intended to provide the Administrator with advance notice of potential Eligible Claims to help facilitate the processing and payment of Eligible Claims if or when they are submitted for reimbursement. The failure to provide the information identified in sections 3 and 4 above will not result in a denial of claims submitted by the Participating Utility, but may significantly delay the processing and reimbursement of such claims.

D.2. SUBMISSION OF CLAIMS

The Participating Utility must provide, in a secure fashion and by means determined by agreement between the Administrator and the Participating Utility, the following information for each Third-Party Claim submitted to the Administrator for review and reimbursement by the Fund. The Administrator will supply Participating Utilities with an approved template for the provision of data and use secure file transfer protocols to receive the data.

1. For non-Subrogation Claims, the supplied data must include:
 - a. Name or a unique identifier of the Third-Party Claimant
 - b. Identification of the specific Covered Wildfire(s) giving rise to the claim
 - c. Specific location where damage or injury occurred
 - d. Legal interest of Third-Party Claimant in the property, if any, damaged
 - e. Amount, if any, recovered by the Third-Party Claimant from any other sources such as the claimant's insurer or governmental agencies
 - f. Itemization of amounts claimed by the Third-Party Claimant broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property

- iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Personal Injury, Wrongful Death, Emotional Distress
 - viii. Fire Suppression Costs
 - ix. Attorneys' fees recoverable by the Third-Party Claimant as an allowable part of damages
 - x. Other legally recoverable damages
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount
2. For Subrogation Claims, the supplied data must include:
- a. Name of insurer or other entity claiming right of subrogation
 - b. Identification of the specific Covered Wildfire(s) giving rise to the Subrogation Claims
 - c. If the subrogating entity is an insurer, name or other unique identifier for each of the subrogated insurer's policyholders under whom right of subrogation is claimed
 - d. If the subrogating entity is not an insurer, explanation of that entity's legal basis for asserting a right of subrogation
 - e. Specific location where each subrogated loss or injury occurred
 - f. Itemization of amounts claimed by the subrogating entity broken down among the following types of damages:
 - i. Real Property (Structures and Land)
 - ii. Loss of Use/Additional Living Expenses
 - iii. Personal Property/Business Personal Property
 - iv. Business Income Loss
 - v. Crops
 - vi. Trees
 - vii. Other damages legally recoverable in subrogation
 - g. Total amount paid by the Participating Utility for the Third-Party Claim
 - h. Reason for resolution (i.e., settlement, judicial judgment, mediation, arbitration, etc.)
 - i. Proof of payment, or of obligation to pay, by the Participating Utility
 - j. Information and documentation relied upon by the Participating Utility for its determination of settlement or resolution amount.

The Administrator may request additional information as deemed necessary in the judgment of the Administrator.

As explained in more detail in section II.F, the supplied information will also be used to test the claims review systems, operational documentation and Procedures. Testing will occur before the claims review process commences for new Third-Party Claims that are submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

E. DATA CONFIDENTIALITY AND PRIVACY

The Administrator has developed the following procedures designed to protect from disclosure any confidential or proprietary documents or information that may be submitted by a Participating Utility to support claims payable from the Fund. Except as otherwise required by law, neither the Administrator nor the Council will divulge to any other person or entity that confidential or proprietary information absent the written consent of the Participating Utility. If the Administrator or the Council receives from any person or entity any valid and enforceable request or demand to divulge a Participating Utility's confidential or proprietary information, the Administrator will notify the Participating Utility of the demand or request as promptly as reasonably practicable and will provide reasonable assistance and will provide reasonable non-monetary assistance in protecting confidential or proprietary information from disclosure.

The following procedures specifically apply to information submitted to the California Earthquake Authority (CEA), in its capacity as Administrator, or to the Council, on or after the date these Procedures are approved by the Council.

E.1. SUBMISSION OF INFORMATION CLAIMED TO BE CONFIDENTIAL

The information submitter is responsible for documenting the reasons why the Administrator, or the Council, should withhold any information, or any portion thereof, from the public. To request confidential treatment of information submitted to the Administrator, or the Council, an information submitter must satisfy all the following requirements:

1. If confidential treatment is sought for any portion of information, the information submitter must designate each page, section, or field, or any portion thereof, as confidential. If only a certain portion of information is claimed to be confidential, then only that portion rather than the entire submission should be designated as confidential.
2. Specify the basis for the Administrator, or the Council, to provide confidential treatment with specific citation to an applicable provision of the California Public Records Act.

3. Provide a declaration in support of the legal authority cited above of the California Public Records Act signed by an officer of the information submitter or by an employee or agent designated by an officer. The officer delegating signing authority to an employee or agent must be identified in the declaration.
4. Provide a name and email address of the person for the Administrator, or the Council, to contact regarding the potential release of information by the Administrator, or the Council. An information submitter may designate as many as three people by name and email address for all document submissions to the Administrator, or the Council. Failure of the information submitter to monitor and respond to Administrator or Council, communications by any specified deadlines in such communications, to the designated email address(es) does not preclude release of information per section E.2. below. There is no requirement for the Administrator staff to contact each name provided. To designate or change the designated email address and contact name, an information submitter shall send an email to the CEA's Legal & Compliance Department at records@calquake.com.

If an information submitter satisfies the requirements in this section, then the Administrator, or the Council, will segregate such information in its records. If the Administrator, or the Council, receives a request, whether through the California Public Records Act or otherwise, requiring the production of claimed confidential information, it will evaluate the legal authority for the Administrator, or the Council, to withhold the document from the public and follow the process established in section E.2. below.

E.2. PROCESSING OF CALIFORNIA PUBLIC RECORDS ACT REQUESTS THAT IMPLICATE INFORMATION CLAIMED TO BE CONFIDENTIAL

This section applies if an information submitter has satisfied section E.1. above.

1. Before releasing information in response to a California Public Records Act request, or in any other context, the CEA's Legal & Compliance Department will determine, based on the information it has, whether the information submitter has established a lawful basis of confidentiality. If CEA Legal & Compliance requires additional information, it may notify the information submitter of the California Public Records Act request and ask the information submitter to provide further information.
2. If CEA Legal & Compliance concludes the information submitter has established a lawful basis for confidential treatment, it will not release the information and will notify the California Public Records Act requester of its decision to deny the request partially or completely.
3. If CEA Legal & Compliance concludes the information submitter has failed to establish a lawful basis for confidential treatment, it will notify the information

submitter of this determination, and provide the information submitter a reasonable amount of time, subject to applicable timing limitations, if any, set forth in the California Public Records Act, to seek a court order protecting the information submitter's allegedly confidential information.

4. The Administrator, and the Council, will follow all required deadlines and requirements of the California Public Records Act in responding to California Public Records Act requests. These procedures are not intended to contradict or circumvent those requirements in any way.

II. ADMINISTRATOR'S CLAIMS REVIEW PROCESS

The primary purpose of the Administrator's claims review process is to determine if a Participating Utility has demonstrated that it exercised Reasonable Business Judgment in the valuation and payment of Third-Party Claims. The Administrator's review of Third-Party Claims has two distinct parts: a Threshold Claims review and an Eligible Claims review. Each is described in greater detail in the following sections.

While the Administrator will review Threshold Claims separately from Eligible Claims, the processes and standards described herein will apply to each of those evaluations. In a Threshold Claims review, the Administrator will evaluate Third-Party Claims that a Participating Utility has paid, or made binding commitments to pay, that, in the aggregate, meet the Participating Utility's Threshold Amount for a particular Coverage Year. If the Administrator determines that the total amount paid or committed to be paid by the Participating Utility was consistent with the exercise of Reasonable Business Judgment, then the Participating Utility may seek reimbursement from the Fund for payment of Eligible Claims for the applicable Coverage Year.

The Administrator's review of Eligible Claims will then determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the following statutory standards of claim review set forth in section 3292.f. of the Public Utilities Code:

"Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the administrator shall be paid unless the administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of such business judgment. To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.

The administrator shall approve a settlement of an eligible claim that is a subrogation claim if the settlement exceeds 40 percent of the total asserted claim value, as determined by the administrator, and includes a full release of the balance of the asserted claim so long as the administrator finds that the electrical corporation exercised its reasonable business judgment in determining to settle for a higher percentage or on different terms based on a determination that the specific facts and circumstances surrounding the underlying claim justify a higher settlement percentage or different terms.

A subrogation claim that is finally adjudicated shall be paid in the full judgment amount.”

Also, the Administrator will pay the full adjudicated amount of all Eligible Claims, including Subrogation Claims, that are Finally Adjudicated as defined herein.

The following sections provide additional detail on the Reasonable Business Judgment standard for claims review, the Administrator’s methods and reporting on claims review, the processes of Threshold Claims, Eligible Claims and claims payment, and mechanisms for dispute resolution, quality control and auditing of the Administrator’s claims review process.

A. REASONABLE BUSINESS JUDGMENT STANDARD FOR CLAIMS REVIEW

As provided in the Definitions section, Reasonable Business Judgment is a judgment of the value of a claim that is based on consideration of the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim. The key point is that Reasonable Business Judgment focuses on the process employed by the Participating Utility rather than the end result. Therefore, the Administrator’s review should focus on two questions:

- Did the Participating Utility rely on the type of information and documentation generally relied upon to reach a fair evaluation of the amount of the claim?
- Was the Participating Utility’s process one that is generally relied upon to reach a fair evaluation of the amount of the claim?

In determining whether a Participating Utility exercised Reasonable Business Judgment in resolving wildfire claims under the guiding principles adopted by the Council, the Administrator will consider the following:

1. The Participating Utility’s general procedures for evaluating and paying claims.
2. Whether the amount paid is Finally Adjudicated as defined herein, and/or whether it resulted from a judgment, mediation, arbitration award or informal negotiation.
3. The extent to which the Participating Utility based its settlement decisions on documentation and other information appropriate for the types of damages and losses claimed.
4. The extent to which the Participating Utility based its settlement decisions on consultation with SME’s appropriate for the types of damages and losses claimed.
5. The costs and risks of further litigation with the Third-Party Claimants.
6. The extent to which the amount paid reflects legally recoverable damages.
7. For Subrogation Claims, claims paid at less than or equal to 40% of total asserted claim value will be assumed to reflect the exercise of Reasonable Business Judgment unless the Administrator finds that the facts and circumstances

surrounding a particular claim indicate a failure to exercise Reasonable Business Judgment.

8. For all claims, the relationship between the value of the amount claimed and the amount paid.
9. Finally Adjudicated claims, as defined herein, will be paid in the full judgment amount.
10. The Participating Utility's process for eliminating duplicate damage claims between a Third-Party Claimant and the subrogated insurer for that claimant.
11. Any other relevant and valid considerations.

Additional information on the documentation and information, including the use of SME's and the process, including the legal standards for valuation of typical wildfire damages, are provided in the following sections.

A.1. DOCUMENTATION AND INFORMATION - USE OF SUBJECT MATTER EXPERTS

The use of Subject Matter Experts (SMEs) to determine whether a Participating Utility exercised Reasonable Business Judgment in resolving claims is a key component of the claims review process. SMEs identify what types of documentation and other information are "generally relied upon to reach a fair evaluation of the amount of the claim," using the definition of Reasonable Business Judgment, within the specific area of expertise of an SME. SMEs may also identify whether the Participating Utility's process was one that is "generally relied upon" in valuing certain types of damages.

In drafting these Procedures, the Administrator consulted with SMEs with expertise valuing the damage types typically found in wildfire claims. These areas are:

- Real Property (Structures and Land)
- Loss of Use/Additional Living Expenses
- Personal Property/Business Personal Property
- Business Income Loss
- Crops
- Trees
- Personal Injury, Wrongful Death, Emotional Distress
- Fire Suppression Costs

The use of SMEs supports the key features of the claims review process in the following ways:

- Expedites claims review by identifying documentary support considered reliable among experts.
- Helps identify claims lacking in reliable support for which further inquiry may be needed.
- Helps identify claims that may require specific review.

A.2. PROCESS – LEGAL STANDARD FOR VALUATION OF TYPICAL WILDFIRE DAMAGES

In determining whether the Participating Utility's process in resolving a claim was consistent with Reasonable Business Judgment, the Administrator must consider whether the amount paid by the utility is recoverable under California law.

Below is an overview of the Administrator's current understanding of the legal measure of damages for the types of damages typically associated with wildfires. At the start of any claims review process, the Administrator will review and update, as necessary, the legal measure of damage for the typical wildfire damage categories.

1. Real Property (Structures and Land):
 - a. Baseline Measure: The lesser of either the cost to repair or the diminution in the fair market value of the property caused by the fire (plus loss of use during the time of repair, as discussed in section 2 below).
 - b. Exceptions: Repair costs that exceed diminution in value are recoverable if the property owner demonstrates that he or she has a "genuine desire" to repair or replace the property for personal reasons, and the costs of repair or replacement are reasonable given the damage to the property, its pre-fire value, and its value after repair.
2. Loss of Use/Additional Living Expenses
 - a. Baseline Measure: The reasonable cost to rent similar property for the reasonable length of time when the claimant could not use the property due to the damage.
 - b. Exceptions: None noted.
3. Personal Property, including Business Personal Property:
 - a. Baseline Measure: For destroyed personal property, the measure is the fair market value of the item before it was destroyed. For damaged personal property the measure is the lesser of diminution of value or cost to repair, plus loss of use during the time of repair and any residual loss in value because of the repair (e.g., if a repaired vehicle has a lower value because it had been previously damaged).
 - b. Exceptions: The measure for personal property that is so unique as to have no readily identifiable market (e.g., one-of-a-kind items) is an amount that is fair and reasonable under the circumstances.
4. Business Income Loss:
 - a. Baseline Measure: Businesses whose property is damaged resulting in income loss can claim net income loss during a reasonable repair time and until the business has recovered to its previous level. The loss is calculated by adding the actual past income loss during the repair period to any reasonably certain future income loss, if any. Due allowance will be made in the calculation for

- any savings in the costs of sales, employee wages or benefits, taxes, and any other variable expenses.
 - b. Exceptions: None noted.
- 5. Crop Losses:
 - a. Baseline Measure: The expected market value of the crop before the damage, less the cost of producing and marketing the crop that would have been incurred.
 - b. Exceptions: For perennial crops, claimants can recover the difference between the rental value of the land with the crop and the land without the crop for the duration of time that it takes to restore the crop.
- 6. Trees:
 - a. Baseline Measure: Tree values are typically assessed by professional arborists who use various published standards for appraising trees.
 - b. Exceptions: Tree valuations should consider the extent to which the lost trees contributed to the fair market value of the property as a whole. Otherwise, the added value of trees may exceed the diminished fair market value of the property.
- 7. Personal Injury, Wrongful Death, Emotional Distress:
 - a. Baseline Measure for Personal Injury: Claimants who suffer personal injury caused by the fire can recover the reasonable cost of past and future medical care, emotional distress, and lost income/earning capacity if the injury prevents them from earning income.
 - b. Baseline Measure for Wrongful Death: Family members can claim a loss of financial support, gifts/benefits, and value of household services provided by decedent, as well as funeral/burial expenses and noneconomic damages such as the loss of love, comfort, and care.
 - c. Exceptions: None noted.
- 8. Fire Suppression Costs:
 - a. Baseline Measure: Reasonable cost of firefighting, as well as providing rescue or emergency medical services along with administrative costs.
 - b. Exceptions: None noted.

B. CLAIMS REVIEW METHODS

The review of individual claims is the principal method by which the Administrator will determine whether the Participating Utility exercised Reasonable Business Judgment when resolving claims. The Administrator may conduct statistical sampling in order to derive a representative set of claims for individual review. Individual claim reviews are more detailed evaluations of claims information and may involve more time and resources than statistical sampling, depending on the volume of claims submitted.

B.1. INDIVIDUAL CLAIM REVIEWS

In fulfilling the claims review requirements of section 3292 of the Public Utilities Code, four key steps have been defined for the review of individual claims submitted by the Participating Utilities for evaluation by the Administrator as part of the Threshold Claims and Eligible Claims reviews. The purpose and areas addressed in each step are as follows:

1. **Data review and validation.** The purpose of this step is to validate and establish the core data about each claim. This involves confirmation that the claimed damage was caused by a Covered Wildfire; if a Subrogation Claim, the identity of the insurer or other subrogating entity; and a review of the supporting documentation. Missing documentation will be requested and the amount of each type of claimed damage submitted to the Participating Utility will be reconciled with the amount paid by the Participating Utility.
2. **Claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value.** This step of the claims review focuses on Subrogation Claims paid at less than or equal to 40% of the total asserted claims value and that the Administrator determines have been settled consistent with Reasonable Business Judgment standard referenced in section 3292(f)(1) of the Public Utilities Code. The primary focus of review of these claims is confirming that the paid amount truly is less than or equal to 40% of the asserted claim value. This involves a review for any failure to use Reasonable Business Judgment by establishing the asserted values for each damage type and confirming that these values are supported by suitable documentation. The review at this step will also confirm that the asserted value represents no more than 40% of the claim submitted to the Participating Utility. Subrogation claims that are Finally Adjudicated as defined herein will be paid in full.
3. **Validation and valuation of other Subrogation and non-Subrogation Claims which require further detailed review.** This step involves a more detailed review of the basis supporting the Participating Utility's determination of the settlement amount, including identifying and considering the information and documentation relied upon by the Participating Utility. The Administrator conducts a detailed review of claims to determine the extent to which full supporting evidence was used and available. The Administrator's review of Subrogation Claim settlements exceeding 40% of the total asserted claim value will use the Reasonable Business Judgment standard referenced in section 3292(f)(2) of the Public Utilities Code and defined herein. This more detailed review involves itemizing the types of damage, claim amounts, the way in which the claims were validated in relation to the description and scope of the damage, and whether the use of an SME was warranted in this exercise and then deployed.

The review will consider the evidence used to support the claim and whether the Participating Utility exercised Reasonable Business Judgment in reaching the settlement amount. Documentation reviewed by the Participating Utility in this determination should be considered. This step also involves confirmation of the basis of resolution of the claim by the Participating Utility – negotiated settlement, judgment, mediation etc. Any errors in the calculation of this valuation are to be noted and recorded. Finally adjudicated claims as defined herein will be paid in full.

4. **Confirm Administrator allowable value.** This final step confirms the amount that is allowable by the Administrator for the Third-Party Claim. The review will include confirmation that there is adequate proof of payment by the Participating Utility and a final data check for consistency with claimed amounts before recommending an allowable and/or reimbursable sum by the Administrator.

B.2 STATISTICAL METHODS

Appropriate statistical methods may be employed for the review of Threshold Claims or Eligible Claims. A statistician may assist the Administrator in the claims review process by working with the data submitted by the Participating Utilities. This may involve creating statistically meaningful samples of the data to be used in the selection of random files for review, as well as analyzing the data, and extracting from the data particular information. To that end, the purpose and activities of statistical analyses in the claims review process are directed towards:

1. Expediting the claims review process by developing statistically significant random samples of claims for more detailed review.
2. Identifying duplicate claims.
3. Identifying common ranges of claim amounts in particular geographic areas, indicating certain claims that may warrant closer review.
4. Identifying common ratios between amounts of particular damage categories to identify outliers.
5. Suggesting any other areas of inquiry that the data reveals, and which may be relevant to an evaluation of Reasonable Business Judgment and of use in the claims review process.

The identification of “outliers” is an important function of statistical sampling. “Outliers” are claims with values outside the norm that may warrant individual claim review. The specific definition of an “outlier claim” will depend on what constitutes the norm in any given data set. Some examples of statistical analyses that may be performed to identify potential outliers and/or anomalies for further evaluation by an individual claim review are as follows:

- Determination and identification of any claim with a value in excess of \$10,000,000.
- Determine median loss amounts by damage types and identify those claims that are significantly higher than the median.
- Identify claims by specific location, by street for example, to determine the median value of a particular damage type and identify claims that far exceed the median. These addresses may then be identified for the Administrator to consider conducting a more detailed review of that claim.
- For real property claims, determine average ratio of total structure loss to total loss of use losses. Compare the average ratio to the particular claims and identify losses where the relationship of the loss of use total to structure loss is unusually high.
- For real property claims, identify structure loss amounts that may represent a loss that has reached the insurance policy limit. Compare structure loss amounts to contents losses and identify contents amounts exceeding 50% of structure loss amount.
- Analyze itemized claims data to determine if the Participating Utility received duplicate claims for the same losses from the subrogating insurer and its insured. Submit a listing of identified duplicates to the Administrator for further review.
- Identify any additional anomalies in the data, such as a large claim for Additional Living Expense but no claim for damage to a home, locations outside the area of a Covered Wildfire based upon ZIP Code, and loss dates outside the known dates of the Covered Wildfire.

The individual claim reviews determined by the identification of outliers and/or anomalies will be in addition to individual claim reviews determined by the statistically significant random file review.

B.3. CLAIMS REVIEW REPORTING

Results of the claims review process will be compiled into reports for both Threshold Claims and Eligible Claims. These reports will include an assessment of the Participating Utility's use of Reasonable Business Judgment and standard of practice in claims settlement. The report may contain summary information, including the name of the involved Participating Utility; name of the Covered Wildfire (if assigned) and the dates of the fire; the dates of the claim review and key personnel who participated in the review; the number of claims selected by the statistician; and the number of claims reviewed broken down by random sample claims and outlier claims. The summary may also comment on the sample size as compared to the total amount of claims submitted by the Participating Utility, and report and categorize any errors in the data or the process.

Claims review reports will summarize the evaluation of different aspects of the claim handling process of the Participating Utility. Each aspect will be reviewed against a system of ratings that considers the application of Reasonable Business Judgment. Specific sections of the report may include:

1. **Overall evaluation of results of claims review.** This section provides a brief explanation of the findings, including how they were determined, and the number of claims deemed to be within Reasonable Business Judgment and accepted by the Fund, and the number of claims that are deemed to be outside Reasonable Business Judgment and rejected by the Fund, as well as the number of claims per rating as described above.
2. **Specific results of review.** This section reports the results of the specific areas of individual claims review, with a summary of ratings for each specific area – data review and validation; claim validation and valuation of Subrogation Claims paid at less than or equal to 40% of total asserted claim value; and validation and valuation of other Subrogation and non-Subrogation Claims which required further detailed review. All Finally Adjudicated claims will be confirmed as meeting the definition of “Finally Adjudicated” contained in these Procedures before being paid in full.
3. **Confirm Administrator allowable value.** This section will state the number of claims accepted and the accepted dollar amount. It will list claims requiring additional information before being accepted and any claims and amounts that have been disallowed.
4. **Recommendations.** This section includes any claims handling guidance the Administrator may have for the Participating Utility. Insights as to why claims or portions of claims were disallowed will also be included.

In addition to the summary report, the Administrator will generate reports from the claims submission data, for example, regarding Subrogation Claims settled at or below 40% of claimed value, Subrogation Claims settled above 40%, and claims resolved on an adjudicated basis.

The Administrator may in its sole discretion share the details of the claims review results that it determines are reasonably necessary to communicate with and between the Participating Utilities in order to enhance the claims administration relationship between the Participating Utilities and the Administrator.

C. THRESHOLD AMOUNT CLAIMS REVIEW

To determine whether a Participating Utility has met the Threshold Amount for a particular Coverage Year and may submit claims to the Fund for reimbursement, the Administrator must determine that the Participating Utility exercised Reasonable

Business Judgment in resolving and paying, or making commitments to pay, the claims that comprise the Threshold Amount. The Participating Utility claiming to have met the Threshold Amount must provide the Administrator with specific information about the Threshold Amount claims as set forth in the agreed claims data template. This template is a consolidated spreadsheet setting out specific data fields to be provided within the schedule of claims that are submitted for Threshold Amount claims review.

After receipt of the claims data, the Administrator will first review the information to ensure that all Threshold Amount claims resulted from Covered Wildfires and have either been paid by the Participating Utility or there is a binding commitment to pay them. Claims not paid at the time of submission of the claims data to the Administrator will be excluded in the calculation of whether the Threshold Amount has been met unless proof of a commitment to pay is also submitted.

Claims that the Administrator determines were paid on Covered Wildfires will then be evaluated to determine whether the amounts paid to reach the Threshold Amount were paid consistent with the exercise of Reasonable Business Judgment. This review may include the evaluation of a statistically significant selection of representative claims or damage types, claim-by-claim analysis, or such other methods as the Administrator deems appropriate in the exercise of its sole discretion.

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

The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

After completing the review of Third-Party Claims submitted by the Participating Utility, the Administrator will issue a Final Determination of Eligibility if it finds that the Threshold Amount has been met through the Participating Utility's exercise of Reasonable Business Judgment. Upon the issuance of a Final Determination of Eligibility, the Administrator will consider claims above the Threshold Amount for reimbursement.

If the Administrator finds that the Participating Utility has not met the Threshold Amount, it will issue a Preliminary Determination of Eligibility with one of the following findings:

1. A preliminary finding that the Participating Utility did not provide sufficient information or documentation demonstrating the exercise of Reasonable Business Judgment, and that no part of the Threshold Amount will have been satisfied and no Third-Party Claims will be further considered for reimbursement.

2. A preliminary finding that a certain percentage or amount of the Threshold Amount has been satisfied but that the remainder is not supported by proof of the exercise of Reasonable Business Judgment, and that no Third-Party Claims will be considered for reimbursement until the balance of the Threshold Amount has been met.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligibility, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility shall submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving claims within the Threshold Amount.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligibility, the Administrator will issue a Final Determination of Eligibility.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

The purpose of the Threshold Amount claims review is to determine whether the Participating Utility has exercised Reasonable Business Judgment in the payment of Third-Party claims and if claims paid on Covered Wildfires in aggregate exceed the Threshold Amount in any coverage year. The primary method for this determination is an individual claims assessment. However, depending on the volume of claims submitted, the Administrator may use statistical sampling to derive a representative sample of claims for individual review.

Figure 2 illustrates the specific steps in the Threshold Amount claims review process, which are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an agreed format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and that any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate by the Administrator.

- **Individual claims review.** This involves the use of a structured claims review procedure to conduct a due diligence assessment of the application of reasonable business judgment on a claim-by-claim basis. This specific procedure is described in more detail in the “Individual Claims Review” section B.1. above.
- **Threshold Claims report.** This report, which is described in the “Claims Review Reporting” section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of settled claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator’s determination of eligibility.** This involves the review and approval of the Threshold Amount claims report and a report on findings (preliminary or final) with the Participating Utility. In the event that a finding is preliminary, the Administrator requests, receives and reviews any additional information provided by the Participating Utility and revises findings as needed. Once the finding is final, the Administrator issues a Threshold Amount determination and may begin reimbursing submitted Eligible Claims. The Administrator will report its final determinations of eligibility to the Council.

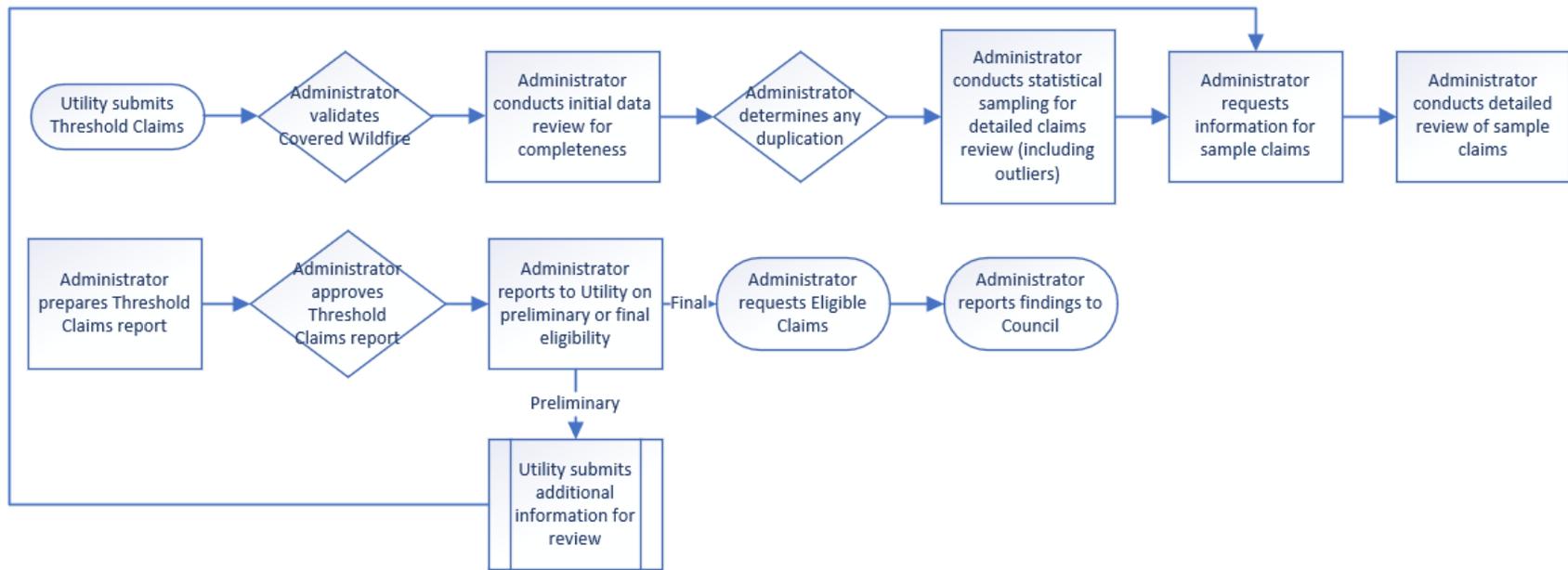


Figure 2. Illustration of the Threshold Amount Claims Review Process

D. ELIGIBLE CLAIMS REVIEW

When the Administrator determines the Participating Utility has met or exceeded the Threshold Amount, the Participating Utility may request reimbursement from the Fund for payment of Eligible Claims arising from Covered Wildfires occurring during the applicable Coverage Year. The Administrator's review of Eligible Claims will determine whether the amount paid or committed to be paid by the Participating Utility for each Eligible Claim was consistent with the exercise of Reasonable Business Judgment, and the statutory standards of claim review set forth in section 3292 of the Public Utilities Code. Participating Utilities are entitled to reimbursement for only those amounts that the Administrator determines were paid consistent with the exercise of Reasonable Business Judgment.

For each Eligible Claim submitted for reimbursement, the Participating Utility must provide the Administrator with the information set out in an approved format to be provided by the Administrator. The information provided by the Participating Utility may be coded or identified in a manner that the Administrator and Participating Utility agree provides sufficient information for review while also protecting the privacy interests and other legal protections for wildfire claimants, Participating Utilities, and others.

Eligible Claims submissions will be reviewed either on an individual claims basis or using a statistically significant random sample to determine the extent to which the claims are entitled to reimbursement. The purpose of the Eligible Claims review, like that of the Threshold Amount claims review, is to determine whether the Participating Utility exercised Reasonable Business Judgment in its decision to pay the settlement amount.

After completing the review of Eligible Claims submissions, the Administrator will issue a Final Determination of Eligible Claims if it finds that the Participating Utility exercised Reasonable Business Judgment in its claims settlement. Upon the issuance of a Final Determination of Eligible Claims, the Administrator will reimburse the Participating Utility. If the Administrator is not able, based on the information provided, to determine that the Participating Utility exercised Reasonable Business Judgment, it will issue a Preliminary Determination of Eligible Claims with a request for additional information or documentation demonstrating the exercise of Reasonable Business Judgment before the claims can be further considered for reimbursement.

If the Participating Utility disputes the Administrator's Preliminary Determination of Eligible Claims, within 30 days following the issuance of that preliminary determination, or at such later time as the Administrator agrees to allow, the Participating Utility must submit to the Administrator any additional information or documentation demonstrating the exercise of Reasonable Business Judgment in settling or resolving the claims.

After review and consideration of any additional information or documentation provided by the Participating Utility in response to the Administrator's Preliminary Determination of Eligible Claims, the Administrator will issue a Final Determination of Eligible Claims.

If the Participating Utility fails to provide further information or documentation within the time required following the issuance of the Administrator's Preliminary Determination of Eligibility, the Administrator's Preliminary Determination of Eligibility will be deemed a Final Determination of Eligibility.

Figure 3 illustrates the specific steps involved in the Eligible Claims review process and are summarized as follows:

- **Data validation.** This involves the intake of itemized claims data in an approved format. Claims submitted are validated to ensure they arise out of a Covered Wildfire and any missing data is requested in order to ensure as complete a data set as possible. At this stage, the claims data can be provided to a statistician for a review of any potential duplication or any potential outliers in the data set. Subject to the number of claims submitted for review, the data set may receive a further review by a statistician to obtain a meaningful sample for individual case review when deemed appropriate.
- **Individual claims review.** This involves the use of a structured claims review procedure to assess the application of Reasonable Business Judgment on a claim-by-claim basis. This specific procedure is described in more detail in the "Individual Claims Review" B.1. section above.
- **Eligible claims report.** This report, which is described in "Claims Review Reporting" section B.3. above, involves a description of the claims review rating system and evaluation criteria regarding Reasonable Business Judgment. The report provides an overall evaluation of results of the individual claims review and specific results of the review by category, with a separate focus on validation and valuation of Subrogation Claims settled at or below 40% of the asserted claims value, Subrogation Claims settled at over 40% of the asserted claims value, settled non-Subrogation Claims, and Finally Adjudicated claims. The report provides confirmation of an allowable value for reimbursement and any claims handling guidance the Administrator may have for the Participating Utility.
- **Administrator's determination of eligibility.** This involves the review and approval of the Eligible Claims report and a report on findings (preliminary or final) to the Participating Utility. If the finding is preliminary, the Administrator will request, receive, and review any additional information provided by the Participating Utility, and will revise the finding as needed. Once the finding is final, the Administrator will issue an Eligible Claims determination and reimburse Eligible Claims. The Administrator will report its findings to the Council.

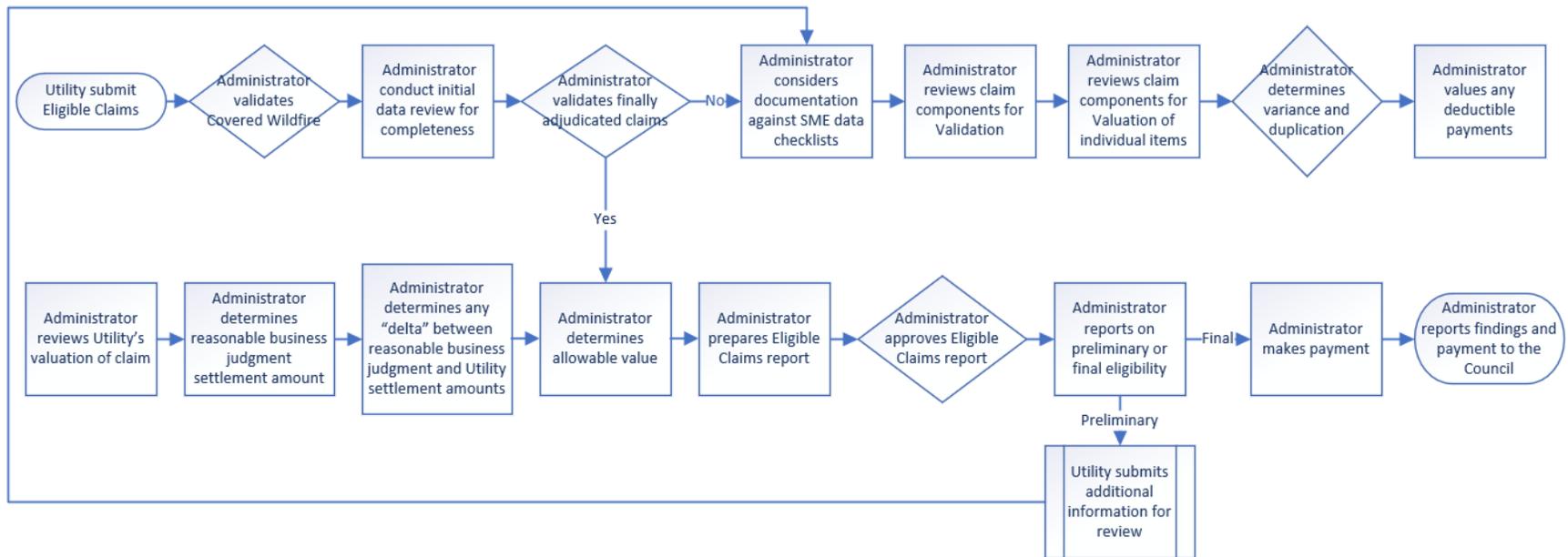


Figure 3. Illustration of the Eligible Claims Review Process

E. CLAIM PAYMENT PROCESS

Following the completion of the Eligible Claims report and the Administrator's determination of final eligibility, the Administrator will reimburse the Participating Utility for the amount that the Administrator determines to be reimbursable. Policies and procedures for the claim payment process are as follows:

1. The Administrator will create one or more controlled disbursements accounts for purposes of making claim payments from the Fund. Participating Utilities will be required to provide payment instructions to the Administrator.
2. The Administrator will reimburse Eligible Claims within 45 days after the date the Administrator approves the confirmed reimbursement amount, unless that timing is not practicable under the circumstances.
3. When the Administrator has determined that the Threshold Amount has been met for a particular Coverage Year, the Administrator will have the right, but not the obligation, to provide payment to the Participating Utility for Eligible Claims after the amount of those Eligible Claims incurred by the Participating Utility are finally determined but before those Eligible Claims are actually paid by, or on behalf of, the Participating Utility.
4. While the Wildfire Fund is under no obligation to advance funds to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, the Administrator reserves the right to advance payments in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
5. The Administrator reserves the right to recall claim payments from the Participating Utility in the event of over-payment or the Participating Utility's recovery of Eligible Claims from other parties.
6. If at any point in time the Administrator makes the determination contemplated under Public Utilities Code section 3292(i)(2), the Administrator will notify all Participating Utilities of such determination and, to the extent necessary, describe the Administrator's plan for the equitable apportionment and distribution of remaining funds to any Participating Utilities with unpaid Eligible Claims.

Once a Participating Utility has received any payment from the Wildfire Fund for Eligible Claims, the Participating Utility must comply with the laws and regulations related to a Catastrophic Wildfire Proceeding as defined in section 1701.8.(b) of the Public Utilities Code. The Participating Utility must file an application to the California Public Utilities Commission (the "Commission") to commence a Catastrophic Wildfire Proceeding. Based on the Commission's decision in a Catastrophic Wildfire Proceeding, a Participating Utility may be required to reimburse the Wildfire Fund.

F. TESTING

The Administrator will develop and implement a plan to periodically test the claims review systems, operational documentation, and Procedures used by the Administrator for the claims review process. Testing will be conducted before any claims review services provider starts reviewing Third-Party Claims submitted by a Participating Utility for a particular Coverage Year. The Administrator will report the testing results to all Participating Utilities and the Council.

The claims review systems and operational documentation may be revised and updated to improve the claims handling. The Administrator will seek Council review and approval for any amendments or updates that materially affect the Procedures.

G. QUALITY CONTROL

The Administrator will have a quality control process in order to ensure that the Procedures are implemented and adhered to. Quality control processes will be operated by the Administrator and any claims review service provider that the Administrator may retain. Agreed reporting levels for quality control between any claims review service provider and the Administrator will be negotiated and implemented.

H. INDEPENDENT AUDITOR

The Administrator reserves the right to appoint an Independent Auditor to review the Administrator's claims handling processes. The Independent Auditor will be responsible for auditing the claims review, reporting and quality control as situations demand. The Independent Auditor will provide a report in writing to the Administrator. The Independent Auditor will be independent of and unrelated to any vendor providing claims review services for the Administrator and its quality control processes. The Independent Auditor will be accountable solely to the Administrator.

I. DISPUTE RESOLUTION

In the event any Participating Utility claims to be aggrieved by any action or failure to act by the Administrator, the Participating Utility and Administrator shall first, in good faith, attempt to resolve the dispute between themselves. If the Participating Utility and the Administrator fail to resolve the dispute between themselves, the Council will, upon written demand by the Participating Utility that specifies the details of the Administrator's action or failure to act, allow the Participating Utility an opportunity to make its complaint during a Council meeting. The Council may, but is not required to, choose to set a special meeting to hear the Participating Utility's complaint, or it may choose to do so as an agenda item at a regularly scheduled meeting, or both. The

Council shall exercise its oversight pursuant to Public Utilities Code section 3281(d) and may fashion appropriate resolutions of the dispute.

J. REPORTING TO THE COUNCIL

The Administrator will provide a quarterly Claims Administration report to the Council on the implementation of these Procedures and status of any claim submissions and reviews underway. The quarterly reports will include the following:

- Liaison activities with Participating Utilities.
- Status of Covered Wildfires for each Participating Utility by Coverage Year, including information on the status of settlements and incurred losses for Third-Party Claims.
- Status of claim submissions to the Fund, tracking the submission and review status for both Threshold Amount claims and Eligible Claims submissions made by each Participating Utility by Coverage Year, including the Administrator's determinations of eligibility of both Threshold Amount claims and Eligible Claims, and the Administrator's confirmed allowable values for the Threshold Amount or reimbursement of Eligible Claims.
- Status of paid and expected reimbursements by the Fund on a current basis, including any payments to the Participating Utility for Eligible Claims for which the settlements are finally determined but have not yet been actually paid by, or on behalf of, the Participating Utility, and any other advance payments that the Administrator has made to Participating Utilities before the Administrator's review of all claims for a Coverage Year is completed, in order to accelerate the funding of claimant reimbursements and support Participating Utility solvency.
- Status of quality control and independent auditing processes that may be underway.
- Status of any dispute resolution efforts that may be underway.
- Status of operational documentation and any modifications that may have been made to the documentation.
- Status of any non-discretionary, conforming changes to the Procedures that are required to maintain conformance with any statutory amendments.

The Administrator will seek Council review and approval to amend these Procedures when operational updates materially affect the Procedures.



California Catastrophe Response Council Memorandum

May 4, 2023

Agenda Item 6: Enterprise Risk Management Program

Recommended Action: No action required – information only

Risk Reporting

The 2nd quarter 2023 scorecard 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



Investments

Due to the recent banking disruptions, CEA has taken steps to look at the risks associated with banks with which we do business. CEA has no investments in Silicon Valley Bank, Signature Bank or First Republic Bank and has a relatively modest banking exposure overall. The banking exposure is approximately 5.0% for the Wildfire Fund with the majority of the banking exposure in large money center banks which are in a much better capital position and have a more diverse depositor base than the banks mentioned above.

The Investment team has concluded that they do not have any concerns at this time and will continue to monitor the banking environment and provide updates if conditions change.

Legal

The legal team rewrote the Procurement Policy, adding process and flow diagrams to make it easier to understand and follow. The revised policy was rolled out to staff via the PolicyTech™ system which is the proprietary management system CEA holds a license to use. The system benefits CEA by having a single point of reference for all policies and a monitoring feature which records when an employee has reviewed and acknowledged a new or revised policy. CEA's Risk and Compliance Committee continues to work with Business Units to update current and review new policies submitted.

Environmental, Social and Governance (ESG) Program Development

As specific consideration of environmental, social and governance actions has become more prevalent and important in the insurance industry and generally, CEA is evaluating the ESG actions that have already been taken. Within the ERM Framework CEA has previously considered ESG elements for each Priority Risk. A few examples include:

- maintaining equitable hiring practices to employ a competent and diverse staff;
- using above market standard Cyber Security practices as well as having Cyber Insurance policies;
- ensuring workplace health and safety by having Emergency Preparedness and Pandemic plans in place;



- creating accountable Committees such as the Business Continuity Committee and Risk and Compliance Committee for managing oversight of redundancy and compliance.

The ERM program is developing an ESG Framework surrounding CEA’s Mission, Vision and Core Values that include sustainability, integrity, equity, and respect for its employees. These initiatives are already supported by CEA with activities and programs such as the following:

Environmental	Social	Governance
<ul style="list-style-type: none"> • Reducing Carbon Footprint (telework) • Recycling • Mitigating homes reduces environmental waste (post-event) • Policy coverage for green products • Investments that do not promote environmental harm 	<ul style="list-style-type: none"> • DIBAC • Diversity and Inclusion Training • Health and Safety measures in place • Employee training and development • Low-income supplemental grant program for mitigating homes • Investments that do not promote social injury 	<ul style="list-style-type: none"> • Public Governing Board • CDI oversight (policy, rates, operations, claims administration) • Internal controls – ERM program and Risk and Compliance Committee • Information Security Team for Cyber Security

While several of the activities and programs are specific to CEA as a provider of residential earthquake insurance, we are also developing the framework with consideration of our role as Administrator of the Wildfire Fund. The Committee recently completed a survey and prioritized areas of ESG for strengthening. A task list was completed, and the Committee will work throughout the year on incorporating ESG risks and controls into the ERM Framework.



California Catastrophe Response Council Memorandum

May 4, 2023

Agenda Item 7: Administrator Evaluation

Recommended Action: No action required – Information only

Council Members Juan Fernandez and Rhoda Rossman will present the results of the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2022.

The attached performance review contains the anonymized, and aggregated comments from all council members. CEA staff are pleased with the positive comments and the suggestions for improvement.

As we find ourselves at the end of year three of administering the Fund, we are confident that all necessary steps have been taken to operationalize the Fund and stand ready to review claims efficiently and fairly when the time comes. Under the Council's oversight, CEA staff will continue to engage with stakeholders, including the participating IOUs, ratepayer advocacy groups, the Public Utilities Commission, and the Department of Water Resources, to ensure that all parties stay aligned on the purpose and functioning of the Fund.

We appreciate the Council's confidence in CEA's ability to manage the Fund, and will look for additional ways, including those suggestions included in the attached comments, to continue to evolve in our role as the Wildfire Fund Administrator.

Wildfire Administrator Performance Rating 2023

Member 1	
Leadership & Culture	5.0
Financial Leadership	5.0
Strategic Development	4.0
Council Relations	5.0
Claim Administration	4.0
Enterprise Risk Management	5.0
Overall Evaluation	5.0
Total	33.0

Member 2	
Leadership & Culture	5.0
Financial Leadership	5.0
Strategic Development	4.0
Council Relations	4.0
Claim Administration	n/a
Enterprise Risk Management	4.0
Overall Evaluation	4.0
Total	26.0

Member 3	
Leadership & Culture	4.0
Financial Leadership	4.0
Strategic Development	4.0
Council Relations	4.0
Claim Administration	3.0
Enterprise Risk Management	4.0
Overall Evaluation	4.0
Total	27.0

Member 4	
Leadership & Culture	4.0
Financial Leadership	5.0
Strategic Development	4.0
Council Relations	4.0
Claim Administration	5.0
Enterprise Risk Management	4.0
Overall Evaluation	4.0
Total	30.0

Member 5	
Leadership & Culture	5.0
Financial Leadership	5.0
Strategic Development	4.0
Council Relations	5.0
Claim Administration	5.0
Enterprise Risk Management	4.0
Overall Evaluation	5.0
Total	33.0

Member 6	
Leadership & Culture	5.0
Financial Leadership	5.0
Strategic Development	5.0
Council Relations	5.0
Claim Administration	4.0
Enterprise Risk Management	4.0
Overall Evaluation	5.0
Total	33.0

Member 7	
Leadership & Culture	5.0
Financial Leadership	5.0
Strategic Development	5.0
Council Relations	5.0
Claim Administration	4.0
Enterprise Risk Management	5.0
Overall Evaluation	5.0
Total	34.0

Member 8	
Leadership & Culture	5.0
Financial Leadership	5.0
Strategic Development	4.5
Council Relations	4.5
Claim Administration	4.5
Enterprise Risk Management	4.5
Overall Evaluation	4.5
Total	32.5

Member 9	
Leadership & Culture	4.0
Financial Leadership	4.0
Strategic Development	4.0
Council Relations	4.0
Claim Administration	4.0
Enterprise Risk Management	4.0
Overall Evaluation	4.0
Total	28.0

Overall Score (Average)	
Leadership & Culture	4.7
Financial Leadership	4.8
Strategic Development	4.3
Council Relations	4.5
Claim Administration	4.2
Enterprise Risk Management	4.3
Overall Evaluation	4.5
Total	31.2

Wildfire Administrator Performance Comments 2023

Leadership and Culture

Management does an excellent job leading the work of the Administrator and supporting the Council.

█ believes all bullets are generally met. During the prior review, Council comments were made for the Administrator to work more on diversity. During the last year, they have made considerable strides in the focus on diversity, including an employee-based diversity panel to address diversity issues from the employee needs, and an Executive Officer to have overall responsibility for diversity and equity issues. As a result, we have noticed that employees participating in Council meetings have become more diverse and we think management should be commended for that continued focus.

The CEA staff is doing an excellent job of managing the Wildfire Fund. Glenn has engaged highly qualified individuals to manage the various aspects of the Fund. Relative to earns and respect, I assume the best given that I believe we would hear if there were issues and problems with employees and stakeholders.

The Administrator has built a strong a strong leadership team that is proficient in addressing issues in a timely manner and working to positively position the fund. I have been impressed with all aspects of leadership and culture I have experienced in my interaction with CEA.

Financial Leadership

Financial management has been excellent. The work with DWR was exemplary and of great benefit to the Fund. Staff has seriously focused on managing investments for the best balance of return and liquidity and been very responsive to the Council on that. The budget seems carefully crafted and staff has been attentive to keeping expenses low.

█ believes the CEA was and is the right choice for managing the Fund; all of their expertise has been essential to maximizing the longevity and operational soundness of the Fund.

Tom Hanzel is doing an excellent job managing the investments of the Fund. At the suggestion of counselmember Rossman, he and our investment advisors at Raymond James prepared an analysis of the sale of certain shorter maturity securities with low coupons and the purchase of longer term securities to lock in higher returns from the longer maturities. An analysis of the strategy revision was shared with the council which explains the rationale for the recommended sale and reinvestment strategy. Furthermore, the CWF quarterly and annual reports are thoroughly prepared and clearly presented to the Council.

The Administrator has met or exceeded metrics in this area

Very impressed with the agility of the investment management team to enhance portfolio results.

I have been impressed with efforts in this area and responsiveness to Council questions and suggestions.

Strategic Development

It seems that, for now, this work is mostly done. The work has been excellent, but there seems to be little to judge at this point. I assume that there are no suggestions from stakeholders that we should be preparing differently. If they're in communication with the Administrator, it would be good that such information be shared with the Council. They don't address the Council at our meetings.

█ notes that the Administrator has actively engaged the public utilities. For example, in the last meeting, SDGE made a presentation to the Council and stakeholders, showing an impressive array of steps they have taken to combat the potential for a utility-caused wildfire. Having a utility stand before the Council and share the actions being taken can be helpful in holding all utilities accountable to do a better job.

The Administrator has met or exceeded metrics in this area

The CEA is doing an excellent job communicating with council members. I appreciated the briefings before council meetings and would like the CEA to continue to do that. I also appreciated the presentations at council meetings by outside experts and hope to have more briefings included in future Agendas.

Council Relations

Council relations are excellent. Staff is extremely responsive to questions and does an excellent job prepping members for our meetings.

There could be issues with the Bagley-Keene Open Meeting Act such as discussions around reinsurance. However, they are the same issues that we continue to encounter with Fund management, of which they develop and continue to employ effective methods for dealing with and communicating with that.

To this point, the Administrator has demonstrated proficiency with these metrics. Suggest the Administrator consider a virtual platform application whereby the Council can be kept of to speed on issues/developments and as well to be able to proactively access information to make timely and informed decisions.

The CEA is doing an excellent job communicating with council members. I appreciated the briefings before council meetings and would like the CEA to continue to do that. I also appreciated the presentations at council meetings by outside experts and hope to have more briefings included in future Agendas. I don't know if it would be possible, but it may be beneficial for the council to meet once a year in person with CEA staff in a social setting as a way of establishing better relations.

I have enjoyed presentations from the IOUs and would hope this would be continued on an annual basis.

Claim Administration

We appear to be well prepared and the work to get us to this point has been excellent. That said, it's hard to evaluate claims administration in the absence of any claims.

It appears that the Administrator has put in place all procedures and protocols to ensure for claims processing - given that there have been no claims to date against the fund. One consideration is that the Administrator develop a Table Top to exercise that includes various scenarios that they may encounter associated with potential claims. They can then measure there procedures and protocols against the scenarios to ensure that they are totally ready when they have to actually pay claims.

Wildfire Administrator Performance Comments 2023

The Administrator has done an effective job so far in preparing to administer claims fairly and efficiently when needed. It does seem, however, that their speed and attention in becoming fully ready to handle claims could have been done faster; fortunately, we have not had any claims to date.

The claims process seems to be very detailed and the fund seems to be prepared to process claims.

I believe there have been no claims but happy with reported progress in developing processes and policies.

Enterprise Risk Management

It's good to see a structured ERM plan. The evaluation of risks and efforts to mitigate them seem reasonable.

I believe that the Administrator has met expectations in this area.

They are routinely reporting their work on this.

I believe the CEA is doing as good a job as could reasonably be expected with regard to Enterprise Risk Management. They have examined the risk of catastrophic event claims and have determined that the durability of the fund is strong. They continue to monitor the durability of the fund, but time will determine how well they are managing enterprise risk. I am curious to learn whether the fund could be impacted by floods caused by excessive snow melt through areas damaged by wildfires.

Overall Evaluation

My overall assessment is very positive. I think we are in very good hands. Given the CEA staff's experience running a specialized insurance company within government, and under Glenn's long-time experience with CEA, I don't see how we could find a better Administrator.

As a follow-up to last year's assessment regarding Form 700 and FPPC compliance matters, it would be good to get a formal response on where this stands today for the process.

The CEA continues to do an excellent job managing the CWF. I have a high level of confidence in their competencies and have been impressed with their commitment to managing the fund. They have developed a thorough system to fairly process claims and they are doing an excellent job with the investment management of the fund.

I am pleased with the Administrator and the team that works with the Council.

Overall, during this evaluation period, I believe that the Administrator has met, and in some areas exceeded performance metrics. Overall rating is 4/5

The CEA's emphasis on keeping WF costs down stands out as an important contribution to the success of the program.



California Catastrophe Response Council Memorandum

May 4, 2023

Agenda Item 8: Informational Presentation

Recommended Action: No action required - Information only.

San Diego Gas & Electric Chief Operating Officer and Chief Safety Officer Kevin Geraghty, Vice President of Wildfire and Climate Science Brian D’Agostino, and Director of Wildfire Mitigation Jonathan Woldemariam will provide an overview presentation on San Diego Gas and Electric’s wildfire mitigation activities.