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October 28, 2021

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Date of Notice: October 18, 2021

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 **teleconference meeting**. 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.

Pursuant to Assembly Bill 361, enacted September 16, 2021, which amended certain provisions of the Bagley-Keene Open Meeting Act until January 31, 2022 to authorize the use of teleconferencing for public meetings, this meeting will be conducted by teleconference only. None of the locations from which the Council members will participate will be open to the public. All members of the public shall have the right to observe the meeting and offer comment at this public meeting as described in this Notice.

DATE: October 28, 2021

TIME: 2:00 p.m.

TELECONFERENCE ACCESS: *

Online Access: <https://us02web.zoom.us/j/84543224728>

Dial-in Number: +1 (669) 900-6833

Enter Access code: 845 4322 4728 #

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 to allow members of the public to comment. Please see additional instructions below regarding Public Participation Procedures.

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

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comment at this public meeting. 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. **At that point, any member of the public wishing to comment 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.

In addition, members of the public may submit comments in writing by emailing comments to PublicComment@calwildfire.com.

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@calwildfire.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@calwildfire.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 website of the California Wildfire Fund (Wildfire Fund), at the following link:

<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 the Fund's 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

Appointee of the Speaker of the Assembly

Appointee of the Senate Rules Committee

Public Member Paul Rosenstiel

Public Member Rhoda Rossman

Public Member Catherine Barna

Establishment of a quorum

2. Minutes: Review and approve the minutes of the July 22, 2021, meeting of the Council.
3. Executive Report: CEA Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.
4. Proposed 2022 Council Meeting Dates: Mr. Pomeroy will seek approval of the proposed 2022 Council meeting dates.
5. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of August 31, 2021.
6. Claims Administration: Dr. Laurie Johnson, CEA Chief Catastrophe Response & Resiliency Officer, will provide an update on the implementation of the Claims Administration Procedures for the Wildfire Fund.
7. PUC section 3287 Statutory Report: CEA Senior Counsel Suman Tatapudy, will provide a draft and an update on the logistics for submitting the Council's Statutory Report with the Legislature and the Department of Finance under Public Utilities Code section 3287.
8. ERM Framework: CEA Chief Risk & Actuarial Officer Shawna Ackerman will provide an update on the development of the Enterprise Risk Management program for the California Wildfire Fund.
9. Public comment: Public Comment opportunity on matters that do not appear on this agenda and requests by the public that matters be placed on a future agenda.
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

October 28, 2021

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of July 22, 2021 Meeting

Attached is a draft of the minutes of the July 22, 2021, 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 July 22, 2021 meeting of the Council.

DRAFT
California Catastrophe Response Council
Meeting Minutes

Teleconference Meeting

July 22, 2021

2:00 p.m.

Members of Council in Attendance:

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

Members of Staff in Attendance:

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

Speakers:

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

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

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

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

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

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

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

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

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

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

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

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

Questions and Discussion

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

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

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

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

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

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

Questions and Discussion

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

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

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

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

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

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

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

Questions and Discussion

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

Public Comment

There was no public comment.

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

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

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

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

Public Comment

There was no public comment.

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

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

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

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

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

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

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

10. Public comment: *Agenda Item 10:* “Public Comment opportunity on matters that do not appear on this agenda and requests by the public that matters be placed on a future agenda.”

There was no public comment.

11. Adjournment.

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



California Catastrophe Response Council Memorandum

October 28, 2021

Agenda Item 3: Executive Report

Recommended Action: No action required – information only

Chief Executive Officer Glenn Pomeroy will present his Executive Report to the Council.



California Catastrophe Response Council Memorandum

October 28, 2021

Agenda Item 4: (Proposed) 2022 California Catastrophe Response Council Quarterly Meeting Schedule

Recommended Action: Approve 2022 California Catastrophe Response Council Quarterly Meeting Schedule

Staff recommends approval of the following dates for the Council's 2022 regular business meetings:

All meetings are on Thursdays and will begin at 2:00 p.m.

2022 MEETING DATES
January 27
April 28
July 28
October 27

2022

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



California Catastrophe Response Council Memorandum

October 28, 2021

Agenda Item 5: 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 August 31, 2021 and 2020.

Additionally, Mr. Hanzel will provide an update on the investment accounting, analytics, and investment management compliance RFQ that was issued in September 2021.



FINANCIAL REPORT

August 31, 2021

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	August 31, 2021	August 31, 2020
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 358,606,522	\$ 847,675,840
Investments	<u>9,620,065,393</u>	<u>9,050,973,721</u>
Total cash and investments	9,978,671,915	9,898,649,561
Interest receivable	39,158,870	34,803,295
Prepaid expenses	<u>-</u>	<u>54,000</u>
Total assets	\$ 10,017,830,785	\$ 9,933,506,856
Liabilities and Net Position		
Securities payable	\$ 5,093,440	\$ 35,055,048
SMIF loan interest payable	5,869,849	7,961,748
Accounts payable and accrued expenses	1,442,198	1,185,387
Related party payable - CEA	<u>34,354</u>	<u>190,722</u>
Total liabilities	<u>12,439,841</u>	<u>44,392,905</u>
Net position:		
Restricted for CWF	<u>10,005,390,944</u>	<u>9,889,113,951</u>
Total net position	<u>10,005,390,944</u>	<u>9,889,113,951</u>
Total liabilities and net position	<u><u>\$ 10,017,830,785</u></u>	<u><u>\$ 9,933,506,856</u></u>

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

UNAUDITED

	Eight Months Ended August 31, 2021	Eight Months Ended August 31, 2020
Additions to fund assets:		
Utility contributions	\$ -	\$ 5,007,600,000
Rate payer monthly NBCs	527,523,762	-
Total contributions	527,523,762	5,007,600,000
Investment income & expenses	64,287,210	48,886,563
Change in unrealized gain/(loss)	(121,807,293)	116,952,553
Net investment income	(57,520,083)	165,839,116
Total additions to fund assets	470,003,679	5,173,439,116
Deductions to fund assets:		
SMIF loan principal payments	560,000,000	-
SMIF loan interest expense	26,220,205	31,333,333
General and administrative expenses	1,417,480	845,377
Personnel expenses	560,005	811,491
Reinsurance expenses	-	26,208,000
Reinsurance broker commissions	-	432,000
Total deductions to fund assets	588,197,690	59,630,201
Increase/(decrease) in net position	(118,194,011)	5,113,808,915
Net position, beginning of year	10,123,584,955	4,775,305,036
Net position, end of period	\$ 10,005,390,944	\$ 9,889,113,951

California Wildfire Fund
2021 Approved Budget vs 2021 Actual Activity
as of August 31, 2021

	Actual Activity for Eight Months Ended August 31, 2021	Approved Budget for Eight Months Ended August 31, 2021	Actual Activity for Eight Months Ended August 31, 2020	Approved Budget for FYE 2021
Additions to fund assets:				
Rate payer monthly NBCs, net	\$ 527,523,762 *	\$ 593,600,000 **	\$ -	\$ 890,400,000
PG&E initial and 2019 annual contribution	-	-	5,007,600,000	-
Utility annual contributions	-	-	-	300,000,000
Investment income (net of expenses)	64,287,210	54,491,424	48,886,563	81,898,521
Total additions to fund assets	\$ 591,810,972	\$ 648,091,424	\$ 5,056,486,563	\$ 1,272,298,521
Deductions to fund assets:				
SMIF - principal payment	\$ 560,000,000	\$ 560,000,000	\$ -	\$ 840,000,000
SMIF - loan interest	26,220,205	26,220,205	31,333,333	36,106,944
Reinsurance expenses	-	-	26,208,000	-
Reinsurance broker commissions	-	-	432,000	-
<i>Personnel expenses:</i>				
Personnel expenses - allocated from CEA	560,005	975,064	639,205	1,462,596
Direct expenses from CWF temps	-	-	172,286	-
<i>Total personnel expenses</i>	560,005	975,064	811,491	1,462,596
<i>General and administrative expenses:</i>				
Other contracted and consulting services	412,749	733,464	209,875	1,100,196
Direct legal services-general	551,435	466,664	215,269	699,996
Financial services consulting	180,000	200,000	200,000	300,000
Bank fees	155,820	163,544	102,038	248,638
G&A expenses - allocated from CEA	108,685	156,416	88,695	234,624
Travel	-	10,000	6,407	20,000
Software and licenses	1,060	8,000	8,662	12,000
Direct IT services	261	8,000	9,372	12,000
Advertising administration - RFQ	7,000	10,000	-	10,000
Audit fees	-	6,000	4,000	6,000
Printing & stationary	-	800	-	1,200
Governing board meeting expenses	470	800	1,059	1,200
<i>Total general and administrative expenses:</i>	1,417,480	1,763,688	845,377	2,645,854
Total deductions to fund assets	\$ 588,197,690	\$ 588,958,957	\$ 59,630,201	\$ 880,215,394
Change in unrealized gain/(loss)	(121,807,293)	-	116,952,553	-
Increase/(decrease) in net position	\$ (118,194,011)	\$ 59,132,467	\$ 5,113,808,915	\$ 392,083,127

* - NBC funds received by CWF in 2021 are net of DWR administrative and operating expenses of \$10.6mm. The \$10.6mm is made up of \$6.8mm of DWR A&O expenses paid from Jan'20 through June'21 and \$3.8mm of funds retained in the DWR Charge Fund to pay future A&O expenses.

** - Budgeted NBC funds to be received by CWF in 2021 are net of \$12mm for DWR administrative and operating expenses. Following CCRC's approval of the budget, the CEA and DWR worked to reduce the DWR A&O annual budget to approximately \$5mm subsequent to fiscal year 2021.

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

Contributions & NBCs Received

**California Wildfire Fund
Contributions & NBCs Received
As of October 11, 2021**

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. SDG&E 2020 annual contribution	12/16/2020	12,900,000
9. SoCal Edison 2020 annual contribution	12/28/2020	94,500,000
10. PG&E 2020 annual contribution	12/30/2020	192,600,000
	Total Contributions	10,100,000,000
1. October 2020 NBC funds	1/19/2021	4,529,887
2. November 2020 NBC funds	1/19/2021	49,757,447
3. December 2020 NBC funds	2/9/2021	69,351,495
4. January 2021 NBC funds	3/15/2021	59,438,336
5. February 2020 NBC funds	4/8/2021	73,956,153
6. March 2021 NBC funds	5/7/2021	66,094,647
7. April 2021 NBC funds	6/16/2021	65,282,244
8. May 2021 NBC funds	7/14/2021	66,147,221
9. June 2021 NBC funds	8/5/2021	72,966,332
10. July 2021 NBC funds	9/15/2021	74,019,191
11. August 2021 NBC funds	10/7/2021	90,363,775
	Total NBCs	691,906,728
	Total Funds Received	\$ 10,791,906,728

Note 1:

NBC funds received by the CWF are net of DWR administrative and operating expenses.

Investment Analysis

**California Wildfire Fund
CWF Portfolio Overview
8/31/2021**

The revised investment policy became effective on June 22, 2020 and allows the CWF to increase its income return by taking advantage of credit diversity and composition along with an increased duration while still meeting its goal of preserving principal and liquidity.

August 31, 2021

The CWF's total portfolio market value for August 2021 was \$9.97 billion with an average duration of 3.85 years and average credit ratings of "AA". The 1-year income return of the CWF's total portfolio is 1.69%.

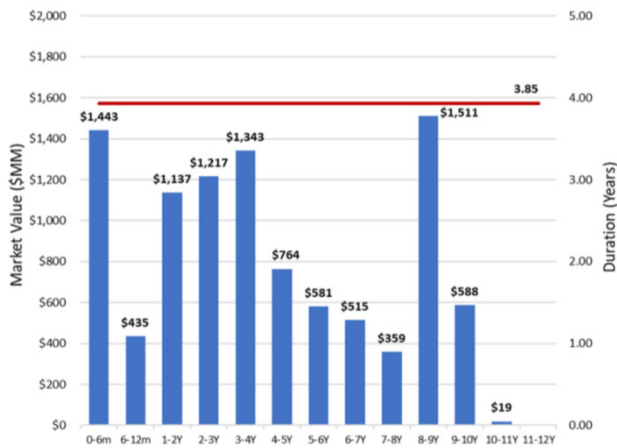
CWF Investment Portfolio as of August 31, 2021				
Sector	Market Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$5,639	56.6%	AA+	2.57
U.S. Agency & Supranational	\$1,070	10.7%	AA+	4.14
Corporates	\$3,197	32.1%	A+	6.06
U.S. TSY MMF	\$60	0.6%	AA+	0.29
Total	\$9,966	100.0%	AA	3.85

August 31, 2020

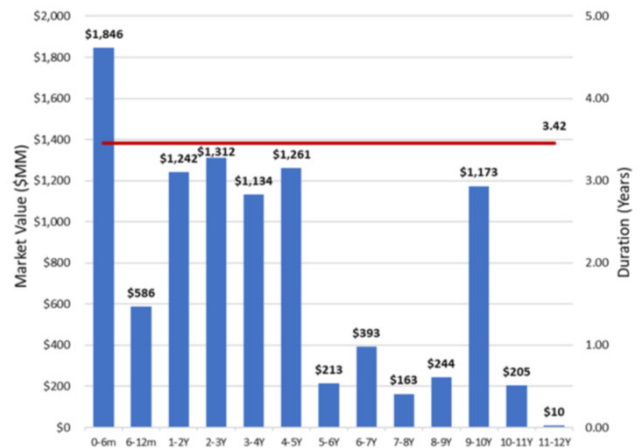
The CWF's total portfolio market value for August 2020 was \$9.86 billion with an average duration of 3.42 years and average credit ratings of "AA". The income return of the CWF's total portfolio since inception in September 2019 is 1.44%.

CWF Investment Portfolio as of August 31, 2020				
Sector	Market Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$6,560	66.5%	AA+	2.18
U.S. Agency & Supranational	\$833	8.4%	AA+	4.67
Corporates	\$2,389	24.2%	A+	6.49
U.S. TSY MMF	\$77	0.9%	AA	0.28
Total	\$9,859	100.0%	AA	3.42

Maturity Distribution: Aug 31, 2021



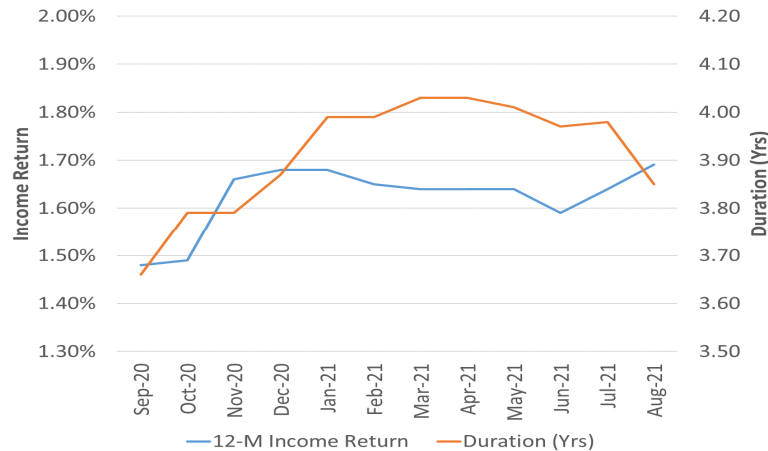
Maturity Distribution: Aug 31, 2020



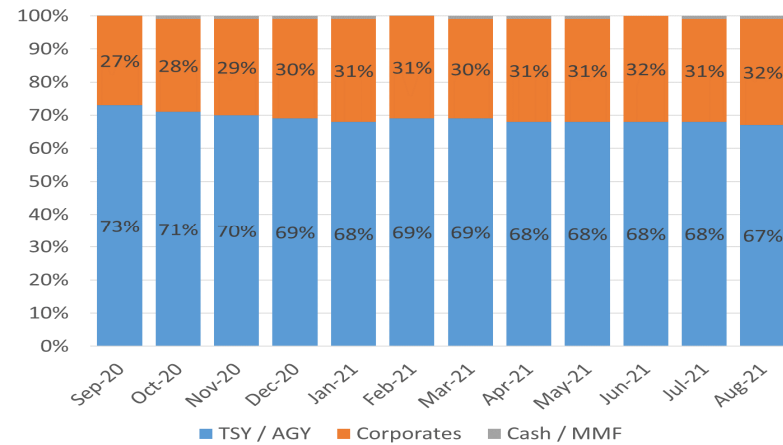
**California Wildfire Fund
CWF Portfolio 12-Month History
8/31/2021**

CWF Investment Portfolio Overview												
	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
Total Portfolio												
Market Value (\$MM)	\$9,859	\$9,818	\$9,865	\$10,052	\$9,884	\$9,896	\$9,861	\$9,875	\$9,907	\$9,871	\$9,972	\$9,966
Yield to Maturity	0.47%	0.55%	0.50%	0.51%	0.60%	0.79%	0.90%	0.90%	0.82%	0.81%	0.81%	0.75%
1-M Income Return	0.13%	0.14%	0.13%	0.14%	0.14%	0.13%	0.15%	0.14%	0.15%	0.14%	0.14%	0.13%
12-M Income Return	1.48%	1.49%	1.66%	1.68%	1.68%	1.65%	1.64%	1.64%	1.64%	1.59%	1.64%	1.69%
12-M Total Return	3.48%	2.95%	3.73%	3.73%	2.44%	0.34%	-1.73%	-1.32%	-1.08%	-0.72%	-0.83%	-0.34%
Duration (Yrs)	3.66	3.79	3.79	3.87	3.99	3.99	4.03	4.03	4.01	3.97	3.98	3.85
Portfolio Composition (%)												
TSY / AGY	73%	71%	70%	69%	68%	69%	69%	68%	68%	68%	68%	67%
Corporates	27%	28%	29%	30%	31%	31%	30%	31%	31%	32%	31%	32%
Cash / MMF	1%	2%	1%	1%	1%	1%	1%	1%	1%	0%	1%	1%

Income Return and Duration



Sector Composition



Cost Allocation

California Wildfire Fund
Cost Allocation Methodology and Calculation for the Eight Months Ended August 31, 2021 and 2020
08/31/2021

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 Eight Months Ended Aug'21 and Aug'20.

Department	8 months ended Aug'21		8 months ended Aug'20		CWF Salary & Benefit costs =	Aug'21	Aug'20
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	210.2	18,869	326.5	20,470		536,734 A	621,359
2. Exec	304.6	72,186	441.7	105,417		17,350,783 B	17,643,772
3. Finance	1,830.6	162,337	2,134.9	247,877		17,887,517 C	18,265,131
4. IT	84.5	6,828	12.5	1,087			
5. Internal Ops	45.5	6,222	71.5	4,976			
6. Insurance Ops	501.4	93,423	92.3	17,203			
7. Legal	1,403.7	176,869	1,530.1	224,329			
Total Direct Hours/Costs	4,380.5	536,734	4,609.5	621,359			
					Allocation % =	3.00% = A/C	3.40%

All other indirect costs were allocated to the CWF based on the 3.00% and 3.40% allocations noted above. The following indirect expenses were charged to the CWF:

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	27,137	30,713
Rent-Office Equip/Furniture	86450-16	1,668	2,556
Building Maintenance and Repairs	86475-16	482	2,357
Furniture/Equipment <\$5000	86500-16	-	413
EDP Hardware <5000	86505-16	3,836	4,156
EDP Software <5000	86506-16	61,645	36,172
Office Supplies	86510-16	309	915
HR and IT staff allocation	85101-16	22,296	18,047
Telecommunications	86550-16	7,427	6,268
Other Administration Services	88175-16	1,514	-
Direct Investment Technology Support	89805-16	4,667	5,145
Total Indirect Costs		130,981	106,742
Total Costs		667,715	728,101

Update Memo on the Investment Accounting, Analytics, and Compliance RFQ

California Wildfire Fund
Investment Accounting, Analytics, and Compliance RFQ Update
August 31, 2021

Since inception of the CEA, CEA staff have been using an investment accounting software package called iWorks Investments. iWorks is an integrated investment accounting and reporting solution that delivers investment portfolio tax, GAAP and National Association of Insurance Commissioners regulatory reporting for insurance companies. iWorks is a mid-tier platform that integrates with CEA's general ledger accounting system (Great Plains). When the decision was made by the CEA to go with iWorks, total invested assets were approximately \$500 million and the number of investment managers under contract was two.

In 2008 the CEA contracted with BondEdge Solutions for a compliance software package. This was a result of the evolving regulatory landscape in the investment industry, and the demand to implement investment compliance standards that promote active oversight of CEA's external investment managers. Since 2008, the CEA performs daily investment compliance. The CEA's finance department staff monitor investment holdings and transactions daily to ensure compliance with the approved investment guidelines and applicable laws.

The staff of the CEA has determined it is important to investigate purchasing a new integrated investment accounting and compliance solution and decided to advertise an RFQ in September 2021 for the following reasons:

- At the end of fiscal year 2008 the CEA had \$3.6 billion of assets under investment with 4 investment managers. At the end of July 2021, the CEA had \$17.6 billion of assets under investment with 20 investment managers (CEA and CWF combined). This is an increase of \$14 billion dollars or 388% and an increase of 16 investment managers or 400%.
- Both iWorks and BondEdge require significant amounts of manual work. Integrating accounting and compliance software into the same platform will cut down on the amount of manual processes that take place on a daily, weekly, monthly, and annual basis. Further, automation eliminates confusion and minimizes errors.
- The CEA and CWF both recently revised their respective investment policies which has increased the activity and complexity of both portfolios. With the potential from an upgrade in technology, the CEA will operate more efficiently

and effectively. This will be a major step for more effective and comprehensive financial reporting, compliance, and analytics. The improved data analytics will help the CEA identify valuable insights, which enables CEA to identify process improvements as well as increase efficiency and manage risks better.

- The new accounting/compliance software will be cloud-based. With a cloud based accounting/compliance system, the CEA and vendor will be able to have access to our system anytime, which bodes well for the CEA team that has shifted to a remote work setup since the COVID-19 pandemic began.

The CEA is seeking a system solution that provides access to high-quality technology, seamless delivery of services, and strong client service/support. The system must be provided through a SaaS solution, must provide for automated data processing, including support for automated receipt of data from more than one custodial bank, and must provide the CEA with a dedicated client servicing team consisting of knowledgeable, experienced, and responsive individuals.

The staff of the CEA will present to the CEA Governing Board our recommendation related to the Investment Accounting, Analytics, and Compliance RFQ at the December 2021 CEA board meeting and ask for approval on our recommendation. If the purchase of a new system is approved, the costs will be allocated to the CEA and CWF based on the cost allocation methodology that has been developed by the CEA and approved by the CEA Board and the California Catastrophe Response Council.



California Catastrophe Response Council Memorandum

October 28, 2021

Agenda Item 6: Claims Administration Update

Recommended Action: No action required - Information only.

Background

At its July 22, 2021 meeting, the California Catastrophe Response Council (Council) adopted the final draft *Wildfire Fund Claims Administration Procedures* (Procedures) 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 Procedures build upon the Council's previously-approved *Expanded Summary of Procedures* and the *Provisional Policy Statement and Summary of Procedures*. These actions are in keeping with the Public Utilities Code section 3284(g) which requires that the Administrator, prepare and seek approval of the Council 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 (Fund) within the framework established by law and in accordance with the claims administration procedures approved by the Council.

Implementation of the Claims Administration Procedures

Since the July 22, 2021 meeting, the Administrator issued on August 17, 2021 a Request for Proposal (RFP #06-21) for a Claims Review Services Provider. The Administrator responded to a round of questions on the RFP from prospective bidders, and received four proposal submissions by the final October 7, 2021 submission deadline. The Administrator's review panel evaluated the proposals and identified three finalists that have been invited to make presentations on October 20th or 21st. The Administrator will provide a further update on the status of the selection process at the October 28th meeting.



Periodic Non-discretionary, Conforming Changes to the Procedures

Assembly Bill 242 (Holden), approved by the Governor on September 23, 2021, amends Section 1701.8 of the Public Utilities Code as follows:

“(a) For purposes of this section, the following definitions apply:

(1) “Covered wildfire” means any wildfire ignited on or after July 12, 2019, 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 an electrical corporation.

(B) Asserted to have been caused by an electrical corporation and results in a court-approved dismissal resulting from the settlement of third-party damage claims.”

This is an expansion of the original definition of “Covered Wildfire,” which applied solely to wildfires determined by a “governmental agency” to have been caused by the utility company. The amended definition, which expands to include judicial causation determinations, will take effect on January 1, 2022. In keeping with the protocols established in Section II.I of the Procedures (Reporting to the Council), the Administrator is formally notifying the Council of this non-discretionary, conforming change required to maintain conformance of the Claims Procedures to any statutory amendments. Absent objection from the Council, the Claims Procedures will be amended effective January 1, 2022 to conform to this statutory change.

Wildfire Monitoring and Notification

The Administrator continues to build out the protocols, templates and Geographic Information System (GIS) tools for monitoring active wildfires and Participating Utilities’ reporting about the potential involvement of their equipment in causing wildfires, and reporting on these occurrences using pre-approved templates for notifying Council members. In September, CEA staff met with the California Department of Forestry and Fire Protection (CAL FIRE) GIS team and is working to develop methods to evaluate the potential impacts (e.g., structures and populations at risk) of wildfires that may result in a claim on the Fund.



Staff also continues to closely monitor the status of all wildfires with the potential to be Covered Wildfires (under the current definition, this includes wildfires that ignited on or after July 12, 2019 and that a determining governmental entity has found was caused by a Participating Utility). For the 2019 and 2020 seasons, CAL FIRE has completed investigations on at least two major fires—the October 2019 Kincade Fire and the September 2020 Zogg Fire—and investigations for other potentially Covered Wildfires are still in progress. At this point, none of the three Participating Utilities have reported losses that, in aggregate, have yet exceeded the current \$1 billion threshold necessary for a Participating Utility to make a claim on the Fund. However, the Administrator will continue to monitor closely the development of reported claims on wildfires during those seasons.

For the 2021 season, Participating Utilities have filed a few electrical incident reports with the CPUC that could be potentially Covered Wildfires. The wildfires that have the greatest potential impact and losses are the Dixie Fire, which ignited July 13, 2021 in Plumas County, and the Fly Fire, which ignited July 22, 2021 in Plumas County and later merged with the Dixie Fire around July 25th. According to CAL FIRE's last incident update on October 2, 2021, the Dixie Fire had burned 963, 276 acres and was 94% contained. CAL FIRE reports that 1,329 structures were destroyed and 95 structures were damaged, and that their determination of the cause of the fires remains under investigation.

Conclusion

CEA staff will be prepared to address any questions the Council may have on this Update. In addition, CEA staff will report on the status of the selection process for the claims review services provider and will explain the remaining actions required to ensure that the CEA's claims administration infrastructure is operationalized around the beginning of 2022.



California Catastrophe Response Council Memorandum

October 28, 2021

Agenda Item 7: PUC Section 3287 Statutory Annual Reports

Recommended Action: Approve Report Template and Procedures for Completion and Filing of Section 3287 Statutory Annual Reports

The 2019 legislation that created the Wildfire Fund (Fund)—Assembly Bill 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019—established two annual legislative reports concerning the Fund.

- **Plan of Operations:** Public Utilities Code section 3283 requires the preparation of an annual report, referred to in the statute as the Fund’s “Plan of Operations,” reporting on the operation, management, and administration of the Fund. The Plan of Operations reports on Fund assets, projections for the durability of the Fund, the success of the Fund, and whether or not the Fund is serving its purpose. The statute further requires the Plan of Operations to be filed with the relevant policy committees of the Legislature. At its July 22, 2021 meeting, the California Catastrophe Response Council (Council) approved the Plan of Operations covering the Fund’s second year in existence (July 12, 2020 through July 11, 2021). The approved report was filed with the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy on August 26, 2021.
- **Section 3287 Statutory Report:** Public Utilities Code section 3287 requires the Council, beginning on January 1, 2021, and annually thereafter, to prepare (with the assistance of the Administrator) reports regarding the formation, administration, and disposition of the Fund, in the form the Council deems appropriate. These statutory reports are to be filed with Legislature and the Department of Finance, and must be filed in compliance with section 9795 of the Government Code.

For the first annual Section 3287 Statutory Report, the Council was able to simply submit a copy of the first Plan of Operations, along with the statutorily required one-page



summary, prepared in compliance with Government Code section 9795, because the Plan of Operations covered all of the information required in the Section 3287 Statutory Report, and there had been no material change to the Fund between the period covered by the first Plan of Operations (through July 11, 2020) and the due date of the first Section 3287 Statutory Report (January 1, 2021).

Going forward, the Administrator recommends the Council take a different approach to the Section 3287 Statutory Report. Given the anticipated occurrence of Covered Wildfires, continued receipt of NBCs, and paydown of the SMIF Loan, the information required to be included in the Section 3287 Statutory Report (primarily related to the Fund's finances and claims against the Fund) is likely to change between the period covering the Fund's annual Plan of Operations (July through July), and the reporting period contemplated by the Section 3287 Statutory Report (January through January).

Proposed Template and Procedures

To facilitate the preparation and filing of the Section 3287 Statutory Reports, the Administrator has prepared a template report for the Council's consideration, which is attached to this memorandum. If the Council approves the template, the Administrator will complete a draft of the report for the current period, and will circulate the draft via individual emails to the Council for review and approval. If the draft report is approved without material edits, the CEA will file the finalized Section 3287 Statutory Report with the Legislature and the Department of Finance during the week of January 3, 2022. If comments on the draft report indicate that further discussion by the Council is necessary, the draft report will be placed on the Agenda for the January 2022 Council Meeting. This process can then be repeated annually thereafter to satisfy the requirements of Section 3287.

Recommendation

The CEA staff recommends approval of the attached template for annual Section 3287 Statutory Reports and the foregoing procedures for annually completing and filing the required annual reports.

California Catastrophe Response Council
Report to the Legislature and Department of Finance
on the
Formation, Administration, and Disposition of the Wildfire Fund
(“Statutory Report”)
January [X], [20XX]

Governor Gavin Newsom, Chair

Appointee Richard Gordon, Vice Chair

State Treasurer Fiona Ma

Insurance Commissioner Ricardo Lara

Secretary of Natural Resources Wade Crowfoot

Appointee Michael Wara

Appointee Paul Rosenstiel

Appointee Rhoda Rossman

Appointee Catherine Barna

Background

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

Pursuant to California Public Utilities Code section 3287, this Statutory Report on the formation, administration, and disposition of the Wildfire Fund has been prepared by the California Catastrophe Response Council (“Council”), with the assistance of the California Earthquake Authority in its capacity as the Wildfire Fund Administrator (“Administrator”) and is hereby filed with the Legislature and the Department of Finance.² The information in this Statutory Report is similar, but not identical to, the information contained in the [2021] Annual Report on the California Wildfire Fund’s Operations (available electronically at www.cawildfirefund.com/annual-legislative-report). The [2021] Annual Report covers the period of [July 12, 2020], through [July 11, 2021], and is incorporated into this Statutory Report.

Fund Assets

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

As the table [on the following page] shows, as of January [X], [20XX], the Fund has received \$[XX,XXX,XXX] in capitalization. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue additional debt backed by the NBCs.

[INSERT TABLE SHOWING CONTRIBUTIONS & NBCS RECEIVED AS OF JANUARY X, 20XX]

¹ AB 1054 was subsequently amended by AB 1513 (Holden, Chapter 396, Statutes of 2019).

² In July 2019, a lawsuit, *Cannara v. Nemeth, Newsom et al*, was filed in the US District Court in San Francisco, on behalf of several utility ratepayers, and seeks to overturn the 2019 Wildfire Legislation on constitutional grounds and to enjoin the California Public Utilities Commission and all the State entities from implementing the 2019 Wildfire Legislation. The US District Court dismissed the case in June 2020 under the Johnson Act. The plaintiffs appealed the dismissal of the lawsuit to the Ninth Circuit Court of Appeals. A panel of three judges of the Ninth Circuit heard oral argument in April 2021. [Include updates on status of litigation up until filing date of report].

NBCs and Repayment of the \$2 billion SMIF Loan

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

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

DWR – working with CEA in its role as the Administrator, the State Treasurer’s Office, and the Department of Finance – collectively determined to allocate the collected NBCs to the repayment of the SMIF loan pursuant to an amortization schedule negotiated among the parties. The amortization schedule provides for the Administrator to pay monthly principal payments of \$70 million, and quarterly interest payments. Principal payments began on December 29, 2020 and will end in April 2023. Once the \$2 billion SMIF loan is repaid, the NBCs will flow directly into the Fund to provide claim-paying capacity.

Claims Summary.

During the report period, [insert status of any claims that were made or paid against the Fund, and/or any wildfires the Administrator is monitoring for potential claims made on the Fund].

California Catastrophe Response Council Memorandum

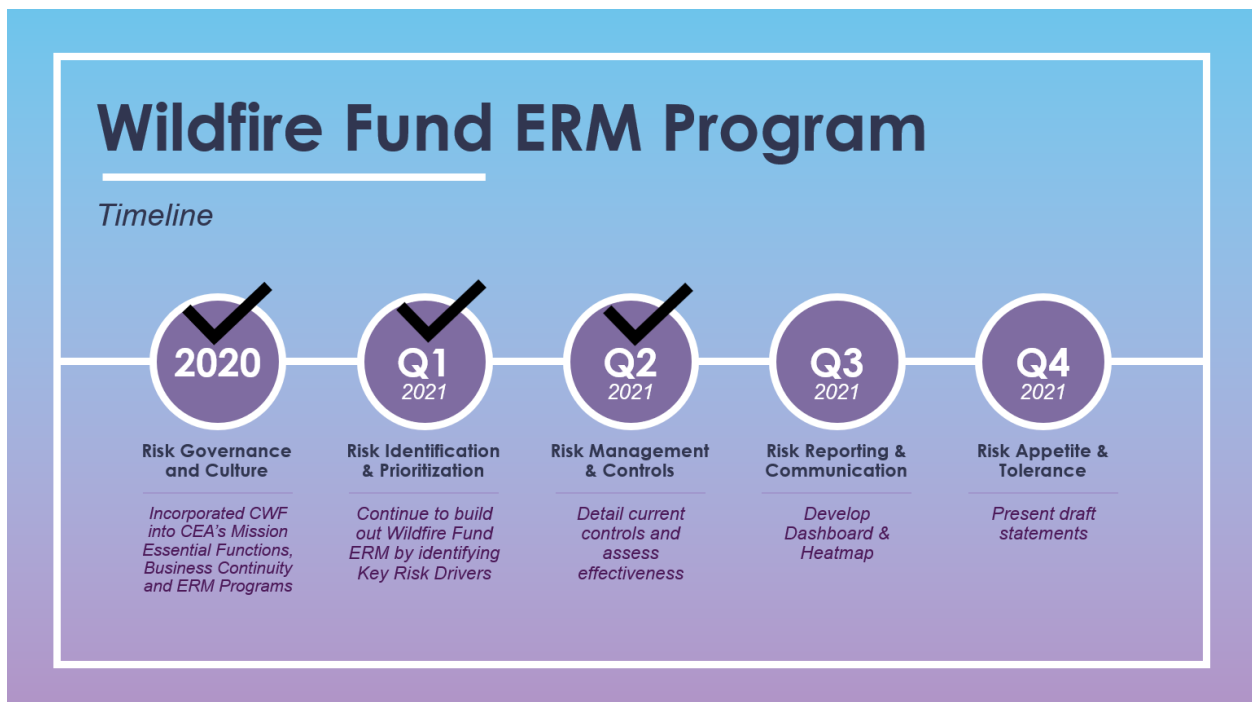
October 28, 2021

Agenda Item 8: Enterprise Risk Management Program Framework - Update

Recommended Action: No action required – information only

Background

The Enterprise Risk Management (ERM) Committee is continuing its work in identifying and integrating risks associated with the administration of the California Wildfire Fund into the CEA’s existing ERM program. The timeline below outlines the evolution and development of the program over 2020 – 2021.





Risk Identification and Prioritization

The CEA considers the risks to all its operations holistically and is incorporating its duties as Wildfire Fund Administrator into its existing ERM framework. However, as Wildfire Fund Administrator, the CEA understands the interests of the Council are specifically focused on risks related to the Wildfire Fund. The interest of the Council in CEA's earthquake related risks will be limited to operational impacts, i.e., the risk that CEA's earthquake responsibilities may interfere with the administration or operation of the Wildfire Fund. This risk is mitigated by having statutorily segregated funds and maintaining adequate personnel (employees and contractors) to perform the required work associated with administering the Wildfire Fund.

As previously reported, the ERM Committee and CEA's internal risk owners have identified and defined 12 priority risk categories that could interfere with the Wildfire Fund meeting its objectives if those risks are not appropriately mitigated and managed. The following details the definition, status and controls that are in place to mitigate risk for each of the priority risks identified.

1. Business Continuity

Risk Definition: Inability to operate or achieve business objectives due to failed or inaccessible systems.

Controls: Key to ensuring that critical business systems and processes operate as needed is identifying those processes and points of potential failure in order to mitigate and manage potential interruptions. CEA is undertaking a full refresh of our Business Impact Analysis. As part of this endeavor, we are

- updating key business processes and the associated systems and external vendors to reflect our current business practices including the administration of the Wildfire Fund, and,
- confirming or amending, as needed, our recovery time and recovery point objectives and to identify interdependent systems for business processes.

Comments: While the risk status for this risk remains medium, CEA has demonstrated its ability to operate in a remote work environment, successfully deploying its business continuity plan in response to the pandemic. The Business Impact Analysis under



development and expected to be completed in the first quarter of 2022 will form an integral part of, and further enhance, the business continuity program.

2. Claim Handling

Risk Definition: Issues, conflicts or delays arising from or associated with Investor-Owned Utility (IOU) claims management.

Controls: The recently approved Claim Handling Procedures represent a key control to the fair, efficient, and timely payment of eligible claims.

Comments: The risk status for this risk remains medium as the infrastructure around the claim handling process continues to be built out. Significant progress has been made as previously reported. However, the Claim Procedures are yet to be tested.

3. Financial Reporting

Risk Definition: Inaccurate financial accounting or reporting or inadequate controls that result in a material error in published financial statements.

Controls: Routine Third Party audits and internal controls.

Comments: The risk status for this risk remains low. CEA has experienced personnel, adequate controls, and external auditing in place to ensure timely and accurate financial reporting.

4. Information Security

Risk Definition: Loss due to unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information and/or accessibility of IT systems.

Controls: Ongoing staff training, Access by VPN, Cybersecurity Insurance

Comments: While Cyber risk continues to be elevated generally, CEA assesses this risk as low. CEA has controls in place to mitigate this risk including increased staff training programs and extensive software and consulting services to help CEA protect the



confidentiality, integrity and availability of CEA systems, networks and information assets used to administer the Wildfire Fund.

5. Investments

Risk Definition: Losses to the Fund due to failure to adhere to established investment guidelines and/or performance objectives not achieved.

Controls: Experienced staff and consultants, investment software and reporting tracks compliance.

Comments: The risk status for this risk remains low. CEA has experienced personnel (internal and external) who actively manage Wildfire Fund investments in accordance with established investment guidelines.

6. Legal – Compliance and Litigation

Risk Definition: Harm to the Wildfire Fund resulting from (a) disputes with third parties, (b) regulatory/legislative enforcement actions, and/or (c) compliance lapses.

Controls: Written policies and procedures regarding legal and compliance issues, experienced legal and compliance staff

Comments: CEA continues to assess this priority risk as low. The CEA promotes a strong culture of compliance across its organization. No new legal actions have been filed related to the Wildfire Fund, nor have any compliance issues arisen. One lawsuit filed in July 2019 was summarily dismissed by the trial court and is now on appeal with the 9th Circuit Court of Appeals. The appeal has been fully briefed and argued, and is awaiting final resolution by the Court.

7. Legislative

Risk Definition: Legislative, regulatory, or political actions that materially change the Wildfire Fund Administrator and/or Council's ability to fulfill obligations or mission.



Controls: Experienced staff actively monitor and report to CCRC to determine appropriate actions.

Comments: Risk status is low. CEA continues to monitor legislative and regulatory developments of interest to the CEA, Council and Wildfire Fund.

8. Wildfire Modeling

Risk Definition: Distorted or incorrect evaluation of Wildfire Fund durability due to invalid, inaccurate, or outdated methods or assumptions in external or internal Wildfire models.

Controls: Monitor wildfire modeling updates and emerging models updating the durability calculation as needed.

Comments: The risk status for this risk remains medium. CEA's internal modeling, including the utilization and refinements of third-party wildfire models continues to evolve as the wildfire models improve. As reported in the annual report to the Legislature, the Wildfire Fund currently has expected claim-paying capacity exceeding a 1-in-500-year event. This metric is sensitive to actual experience which, to date, has not resulted in eligible claims and is routinely measured.

9. Reputation

Risk Definition: 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.

Controls: Actively monitor media and respond as needed, crisis communication plan.

Comments: CEA continues to assess this risk as low. Key controls and constant monitoring are in place; a crisis communications plan is nearing completion.

10. Risk Transfer

Risk Definition: Reasonably priced risk transfer products are not available when needed.



Controls: CEA has experienced staff to survey the risk transfer markets, monitor pricing, and assess the utilization of risk transfer (insurance/reinsurance).

Comments: Risk status remains low as current claim-paying capacity is sufficient without additional risk transfer.

11. Wildfire Mitigation Activities

Risk Definition: Durability of the Wildfire Fund is dependent on successful mitigation activities which are outside the direct control of the CEA as Wildfire Fund Administrator, but that must be monitored.

Controls: While the risk associated with failure to implement adequate and timely mitigation is outside the Administrator's direct control, CEA works with the IOUs, State of California, and local governments and communities to remain informed on mitigation activities.

Comments: The risk status remains low. Numerous activities are underway at State, IOU, and local levels to increase mitigation. Monitoring mitigation activities aids CEA in evaluating the long-term durability of the Wildfire Fund.

12. Workforce

Risk Definition: Adverse impacts to the administration of the Wildfire Fund that occur due to a workforce issue or constraint at the CEA.

Controls: Personnel actions are monitored, tracked and reviewed to maintain compliance with applicable laws and regulations or constraints with workload.

Comments: CEA assesses this risk as low. CEA maintains adequate staffing and robust workplace safety measures to protect the staff. CEA also maintains a strong and diverse pipeline of staffing resources to ensure that staff can be quickly scaled to meet whatever needs arise. Maintain appropriate service levels with adequate, knowledgeable staff.



CONCLUSION

As previously noted, the CEA's existing ERM framework is agile and can accommodate the risks associated with the administration of the Wildfire Fund, most of which are the same or analogous to the risks that the CEA has been managing for many years. Most of the controls identified in this report have been in place for years and have proven effective in identifying and mitigating risk to CEA operations. The ERM framework operates as an early warning system to allow CEA to monitor and remediate emerging risks to ensure long-term stability, effectiveness, and efficiency.