



TABLE OF CONTENTS

November 2, 2023

Agenda	Public Notice & Agenda	Page 02
Item 2	Meeting Minutes for August 3, 2023	Page 06
Item 3	Executive Report	Page 14
Item 4	Proposed 2024 Council Meeting Dates	Page 15
Item 5	Financial Report	Page 16
Item 6	Claims Administration Update	Page 29
Item 7	Enterprise Risk Management	Page 31
Item 8	Informational Presentation	Page 36



Notice Publication Date: October 23, 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 143, enacted September 13, 2023, which amended certain provisions of the Bagley-Keene Open Meeting Act through and until December 31, 2023, the Council is authorized to use teleconferencing to conduct its public meetings and to make public meetings accessible telephonically, or otherwise electronically. 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: November 2, 2023
TIME: 3:00 p.m.
LOCATION: 400 Capitol Mall, Suite 670, Sacramento, CA 95814

TELECONFERENCE ACCESS:

By Computer (Open the Zoom** App, or navigate to www.zoom.com):
Enter Meeting ID: 853 8021 9899
Direct Link: <https://us02web.zoom.us/j/83486958062>

By Phone: 1 (669) 900-6833
Enter Meeting ID: 834 8695 8062

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

ACCESSIBILITY FOR DISABLED PERSONS: 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
- Tracy Van Houten, Appointee of the Speaker of the Assembly
- Kathleen Ritzman, Appointee of the Senate Rules Committee
- Paul Rosenstiel, Public Member appointed by the Governor
- Rhoda Rossman, Public Member appointed by the Governor
- Catherine Barna, Public Member appointed by the Governor

Establishment of a quorum

2. Minutes: Review and approve the minutes of the August 3, 2023, meeting of the Council.
3. Executive Report: CEA Chief Executive Officer Glenn Pomeroy will provide the Council with an executive report.
4. Proposed 2024 Council Meeting Dates: Mr. Pomeroy will present for discussion the proposed 2024 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 September 30, 2023.
6. Claims Administration Update: CEA Chief Insurance & Claims Officer George Sittner will provide an update on Claims Administration.
7. 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.
8. Informational Presentation: Forest Schafer, State Coordinator for the Governor's Wildfire and Forest Resilience Task Force will provide an overview of statewide efforts to align the fire mitigation activities of federal, state, local, private, and tribal organizations.
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:

Agenda Information:

Suman Tatapudy
General Counsel
(916) 330-0577 (Direct)
Toll free: (877) 797-4300
statapudy@calquake.com

General Meeting Information:

Susan Johnson
Governance Liaison
(916) 397-6595 (Direct)
Toll free: (877) 797-4300
sjohnson@calquake.com

Media Contact:

(279) 203-5998
media@calquake.com

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

November 2, 2023

Agenda Item 02: Minutes

Recommended Action: Approve Minutes of August 3, 2023 Meeting

Attached is a draft of the minutes of the August 3, 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 August 3, 2023 meeting of the Council.

DRAFT
California Catastrophe Response Council Meeting Minutes

August 3, 2023
3:00 p.m.

Primary Location: California Earthquake Authority
801 K Street, 11th Floor
Sacramento, CA 95814

Secondary Location 1: Premier Workspaces
11400 W. Olympic Boulevard, Suite 200
Los Angeles, CA 90064

Secondary Location 2: Buzelli Loeb Conference Room
Scripps Institution of Oceanography
UC San Diego
8610 Kennel Way (formerly Discovery Way)
La Jolla, CA 92037

Members of Council in Attendance:

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

*Participated remotely.

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 & Actuarial Officer
Suman Tatapudy, Senior Counsel
Susan Johnson, Governance Liaison

Speakers:

No members of the public addressed the Council.

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

Chair Mark Ghilarducci called the meeting to order at 3:01 p.m.

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

2. Minutes: Review and approve the minutes of the meeting of the Council on May 4, 2023.

MOTION: Ms. Rossman motioned to approve the May 4, 2023, meeting minutes as written. Mr. Morton 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.

Khaim Morton, new designee of State Treasurer Fiona Ma, Tracy Van Houten, new appointee of Speaker of the Assembly, and new Chief Insurance and Claims Officer George Sittner introduced themselves and were welcomed by the Council.

Mr. Pomeroy stated this is the fifth fire season since the inception of the CCRC and suggested, that absent an uptick in claims activity, the Council consider moving to three meetings per year in 2024.

Council members agreed with reducing the number of meetings to three annually with the ability to schedule additional meetings as needed, based on covered wildfire and claims activity.

Mr. Pomeroy stated staff will prepare proposed meeting dates for review and approval at the next Council meeting.

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

Ms. Tatapudy provided an overview of the legislative mandate, timeline, and requirements for the drafting and submission of the Annual Report to the Legislature. In compliance with the Bagley-Keene Open Meeting Act, the draft proposed Annual Report was sent to Council Members on July 12th. Ms. Tatapudy reviewed the three technical non-substantive changes that she received.

Staff Recommendation

Approve the Fourth Annual Report incorporating the technical non-substantive changes as outlined and authorize the Administrator to present the Fourth Annual Report to the Senate Committee on Energy, Utilities, and Communications and the Assembly Committee on Utilities and Energy.

There was no discussion and no public comment.

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

5. Council's Statutory Annual Report Template: Ms. Tatapudy will seek approval of revisions to the template for the Council's Statutory Annual Report to the Legislature and the Department of Finance under Public Utilities Code section 3287.

Ms. Tatapudy stated the Statutory Report is the other annual report required by the Legislature. It covers similar subject matter to the Plan of Operations Annual Report that was described in agenda item 4, but the reporting periods differ for each. The reporting period for the Plan of Operations Report is July through July, and the reporting period for the Statutory Report is January through January.

Ms. Tatapudy stated that since the Council typically does not meet in December, a template and procedures for annually completing and filing the Statutory Report was previously adopted. She then reviewed proposed changes to the previously adopted template.

Staff Recommendation

Approve the revised template for the Council's Statutory Annual Report to the Legislature and the Department of Finance under Public Utilities Code section 3287 and authorize the Administrator to use the revised template to complete the procedures the Council approved at its October 28, 2021, meeting.

Discussion

In response to a question from Ms. Van Houten, Ms. Tatapudy replied that aligning the dates of the two reports makes sense and stated staff has asked the Legislature to consolidate the two reports but the Legislature has not responded to date.

There was no public comment.

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

6. Financial Report: CEA Chief Financial Officer Tom Hanzel will provide the Council with a financial report on the Wildfire Fund as of June 30, 2023.

Mr. Hanzel reviewed financial highlights from the past quarter.

Balance Sheet:

- Total claim-paying capacity continues to be strong.
- Cash and investments stand at \$10.4 billion, an increase of approximately \$600 million or 6 percent year-over-year.
- The Net position is \$10.4 billion, which represents an increase of \$670 million year-over-year.
 - This breaks down to four components: two additions and two subtractions.
 - Two additions: approximately \$1.0 billion of non-bypassable charges (NBCs), \$300 million in IOU annual funding, and \$150 million of investment income.

- Two subtractions: approximately \$700 million related to the Surplus Money Investment Fund (SMIF) loan – the final principal payments and the interest associated with that, which was fully repaid in April of 2023 – and approximately \$130 million of unrealized losses flowing through the book.

Income Statement:

- NBCs are down approximately \$90 million year-over-year, driven by an overcollection in 2022.
- Investment income is up 50 percent. A benefit is being seen in investing additional funds or reinvesting existing funds into high-yielding securities. This is expected to continue in the coming weeks, months, and years.
- Unrealized losses are at approximately \$950 million. The goal was to roll off this unrealized loss position faster but treasury markets continue to be volatile. The result is that the roll-off will take longer than previously expected.

2023 Approved Budget versus Actual Expenditures Statement:

- Ratepayer charges are down year-over-year; however, it is up versus budget, which is driven by usage and an accelerated collection.
- The investment income is up year-over-year but down compared to what was expected, which is driven by the \$20 million realized loss.
- Personnel expenses are about the middle of the line at \$186,000 year to date compared to \$330,000 budgeted, driven by the fact that the CEA is in maintenance mode.
- General administrative expenses are approximately \$25,000 below budgeted and approximately \$300,000 below prior year.

Contributions and NBCs Received:

- Total funds received were approximately \$13.1 billion.
- Approximately \$2 billion has been given back for the SMIF loan plus interest.
- Approximately \$19 million of NBCs were received in June of 2023, when it changed from a monthly transfer of funds to a weekly transfer of funds in order to accelerate payments, with the help of the Department of Water Resources (DWR), the accounting team at the CEA, the Controller's Office, and the Treasurer's Office.

Investment Analysis:

- Fitch has downgraded the U.S. Treasury debt from AAA to AA+. That follows about 12 years ago when S&P did a similar downgrade, with Moody still at AAA. This is not anticipated to be impactful to the portfolio.
- It is expected that the total duration will increase over time.
- The income return net of fees dipped down in April of 2023 as shown on the Income Return and Duration chart. This was driven by the \$20 million of

securities that were sold. After that April dip, the income return and duration numbers have returned to where they were and will continue to increase due to the higher reinvestment rates.

- The Sector Composition chart shows that corporates have increased by approximately four percentage points year-over-year from 31 percent to 35 percent. Up to 40 percent can be invested in corporates. It is anticipated that it will either level off there or go up another two to three points if asset managers find good opportunities to spread.

Discussion

Ms. Rossman stated income will begin to pile up quickly since the NBCs will no longer be needed to pay off the SMIF loan. She noted that \$80 million per month will come in as new capital to be invested. It is helpful to bear in mind from a long-term perspective that there are 7 more years of capital contributions from the IOUs and 12 more years of the NBCs.

Mr. Hanzel agreed and stated the team will continue to monitor and provide updates to the Council.

There was no public comment.

7. 2023 CWF Mid-Year Budget Revision: Mr. Hanzel will seek approval of mid-year budget revisions for CCRC's Claims Administration Consultant, Sedgwick Claims Management Services, Inc.

CEA Chief Catastrophe Response & Resiliency Officer Dr. Laurie Johnson provided an overview and background of the Wildfire Fund Claims Administration Procedures and the amendment approved by the Council on May 4, 2023, for a new task of pre-testing of the operational approach ahead of future claims submissions. During the "bridge" period between Phases 1 and 2, dummy data will be developed to further test the operational approach for claims review services. Operational procedures and personnel training for future pre-testing of the operational approach will be built out, noting both tasks were not anticipated during the initial contracting with Sedgwick.

Mr. Hanzel stated the original budget was \$271,000 and an additional \$287,000 is required due to the additional time needed to develop the dummy data to test the claims operations and to build out the operational procedures and personnel training for future pre-testing of the operational approach.

Discussion

Ms. Rossman asked when Sedgwick is in the passive mode, not doing much and not being paid much, how will CEA maintain its contacts to ensure that Sedgwick stays prepared to activate when needed.

Dr. Johnson stated a training program has been built out and Sedgwick will annually go through that training program with designated staff. The hope is that the Sedgwick staff who helped build this will remain the staff assigned to that. The fee paid to Sedgwick annually when they are in standby mode is to train designated personnel to be ready to receive claims.

Ms. Rossman asked Mr. Sittner if he will stay in contact with Sedgwick.

Mr. Sittner stated he will communicate with them frequently, adding it is important to keep partners engaged and interested.

Mr. Rosenstiel asked why this was not part of the original contract.

Dr. Johnson stated it was originally thought there would be a lot of data to pull from, but that turned out not to be the case. This additional step will make the claim-review process more efficient, which will reduce the cost of that expenditure, and reducing risk once real claims data is gathered.

There was no public comment.

MOTION: Mr. Rosenstiel motioned to approve the 2023 budget revision for Sedgwick. Mr. Morton seconded. The motion carried unanimously by roll call vote.

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

Dr. Johnson reviewed the Claims Review Services Provider scope of work, wildfire monitoring, quarterly claims report, and next steps in the implementation of the Wildfire Fund Claims Administration Procedures, which was included in the staff memo in the meeting materials. She noted that a material significant increase in drought conditions in the state has not been seen this wildfire season due to the extended snow season. Ignitions remain high but the acreage burned is extremely low. Most of the activity to date this summer has been in Southern California and very little in Northern California.

9. 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.

CEA Chief Risk & Actuarial Officer Shawna Ackerman reported that there have been no changes to the Enterprise Risk Management (ERM) Risk Assessment scorecard priority risks since the last meeting. She stated the Risk and Compliance Committee is being developed to provide an internal audit as the third line of defense in the ERM program to ensure that everything is being done that should be done.

There was no discussion and no public comment.

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

There was no public comment.

11. Adjournment

Mr. Pomeroy thanked Dr. Johnson for her years of service with the CEA and wished her all the best in her new role.

Council Members expressed their thanks, appreciation, and gratitude for Dr. Johnson and her work over the years.

There being no further business, Chair Ghilarducci adjourned the meeting at 4:09 p.m.



California Catastrophe Response Council Memorandum

November 2, 2023

Agenda Item 03: 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

November 2, 2023

Agenda Item 04: (Proposed) 2024 California Catastrophe Response Council Meeting Schedule

Recommended Action: Approve 2024 California Catastrophe Response Council Meeting Schedule

Staff recommends approval of the following dates for the Council's 2024 regular business meetings: February 29th, July 11th, and November 14th.

All meetings are on a Thursday and will begin at 3:00 p.m.

January						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

February						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29		

March						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

August						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

September						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

November						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

December						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



California Catastrophe Response Council Memorandum

November 2, 2023

Agenda Item 05: Financial Report

Recommended Action: No action required – information only

CEA CFO Tom Hanzel will provide the California Catastrophe Response Council with a financial report on the Wildfire Fund as of September 30, 2023 and 2022.



FINANCIAL REPORT

September 30, 2023

Financial Report Table of Contents

	Page
Financial Statements	
Balance Sheets as of September 30, 2023 and 2022	1
Statements of Revenues, Expenses and Changes in Net Position for the Nine Months Ended September 30, 2023 and 2022	2
CWF Budgeted and Actual Expenditures for 2023 Budget Year as of September 30, 2023	3
Cost allocation methodology and calculation for the Nine Months Ended September 30, 2023 and 2022	4
Contributions Received	
Schedule of Contributions and NBC's received by the Fund from inception through September 30, 2023	5
Investment Analysis	
Investment Analysis as of September 30, 2023 and 2022	6 - 8

Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	September 30, 2023	September 30, 2022
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 71,208,889	\$ 548,079,976
Investments	<u>10,372,944,636</u>	<u>9,002,373,869</u>
Total cash and investments	10,444,153,525	9,550,453,845
Interest receivable	57,266,505	40,555,640
Securities receivable	<u>17,298,863</u>	<u>-</u>
Total assets	\$ 10,518,718,893	\$ 9,591,009,485
Liabilities and Net Position		
Securities payable	\$ -	\$ 15,052,559
SMIF loan interest payable	-	3,522,425
Accounts payable and accrued expenses	1,197,424	1,405,498
Related party payable - CEA	<u>240,393</u>	<u>185,340</u>
Total liabilities	<u>1,437,817</u>	<u>20,165,822</u>
Net position:		
Restricted for CWF	<u>10,517,281,076</u>	<u>9,570,843,663</u>
Total net position	<u>10,517,281,076</u>	<u>9,570,843,663</u>
Total liabilities and net position	<u><u>\$ 10,518,718,893</u></u>	<u><u>\$ 9,591,009,485</u></u>

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

UNAUDITED

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Additions to fund assets:		
Rate payer monthly NBCs	\$ 657,256,141	\$ 813,808,241
	<u>657,256,141</u>	<u>813,808,241</u>
Total contributions	657,256,141	813,808,241
Investment income & expenses	142,172,531	85,085,786
Change in unrealized gain/(loss)	<u>(112,060,870)</u>	<u>(940,332,305)</u>
Net investment income	30,111,661	(855,246,519)
Total additions to fund assets	<u>687,367,802</u>	<u>(41,438,278)</u>
Deductions to fund assets:		
SMIF loan principal payments	250,000,000	630,000,000
SMIF loan interest expense	1,093,878	14,088,409
General and administrative expenses	1,307,812	1,684,123
Personnel expenses	<u>289,368</u>	<u>370,063</u>
Total deductions to fund assets	<u>252,691,058</u>	<u>646,142,595</u>
Increase/(decrease) in net position	434,676,744	(687,580,873)
Net position, beginning of year	<u>10,082,604,332</u>	<u>10,258,424,536</u>
Net position, end of period	<u>\$ 10,517,281,076</u>	<u>\$ 9,570,843,663</u>

California Wildfire Fund
2023 Approved Budget vs 2023 Actual Activity
as of September 30, 2023

	Actual Activity for Nine Months Ended September 30, 2023	Approved Budget for Nine Months Ended September 30, 2023	Actual Activity for Nine Months Ended September 30, 2022	Approved Budget for FYE 2023
Additions to fund assets:				
Rate payer monthly NBCs, net	\$ 657,256,141 *	\$ 637,556,743	\$ 813,808,241	\$ 875,069,919 **
Utility annual contributions	-	-	-	300,000,000
Investment income (net of expenses)	142,172,531	153,175,078	85,085,786	213,439,076
Total additions to fund assets	\$ 799,428,672	\$ 790,731,821	\$ 898,894,027	\$ 1,388,508,995
Deductions to fund assets:				
SMIF - principal payment	\$ 250,000,000	\$ 250,000,000	\$ 630,000,000	\$ 250,000,000
SMIF - loan interest	1,093,877	1,093,877	14,088,409	1,093,877
<i>Personnel expenses:</i>				
Personnel expenses - allocated from CEA	289,368	495,000	370,063	660,000
<i>Total personnel expenses</i>	289,368	495,000	370,063	660,000
<i>General and administrative expenses:</i>				
Other contracted and consulting services	519,819	453,373	941,005	738,433
Direct legal services-general	1,817	112,500	16,138	150,000
Financial services consulting	216,137	213,171	207,625	285,402
Bank fees	176,147	180,607	180,208	243,546
G&A expenses - allocated from CEA	387,418	392,550	332,456	523,400
Travel	-	16,320	513	19,110
Software and licenses	708	900	844	1,200
Direct IT services	-	900	-	1,200
Audit fees	4,000	4,000	4,000	4,000
Printing & stationary	334	450	-	600
Governing board meeting expenses	1,432	1,350	1,334	1,800
<i>Total general and administrative expenses:</i>	1,307,812	1,376,121	1,684,123	1,968,691
Total deductions to fund assets	\$ 252,691,057	\$ 252,964,998	\$ 646,142,595	\$ 253,722,568
Change in unrealized gain/(loss)	(112,060,870)	-	(940,332,305)	-
Increase/(decrease) in net position	\$ 434,676,745	\$ 537,766,823	\$ (687,580,873)	\$ 1,134,786,427

* - NBC funds received by CWF in 2023 are net of DWR administrative and operating expenses of \$5.2mm.
The \$5.2mm is made up of \$3.5mm of DWR A&O expenses paid from Dec'22 through Sept'23 and \$1.7mm 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 Nine Months Ended September 30, 2023 and 2022
09/30/2023

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 Nine Months Ended September 30, 2023 and 2022.

Department	Nine Months Ended Sept'23		Nine Months Ended Sept'22		CWF Salary & Benefit costs =	Sept'23	Sept'22
	Hours	Salaries & Benefits	Hours	Salaries & Benefits		265,518 A	337,303
1. Comms	101.3	9,684	188.6	19,568	CEA Salary & Benefit costs =	18,474,200 B	19,557,625
2. Exec	131.0	35,918	223.0	53,441		18,739,718 C	19,894,928
3. Finance	753.5	94,564	1,173.4	115,754			
4. IT	1	108	51.0	5,100	Allocation % =	1.42% = A/C	1.70%
5. Internal Ops	-	-	9.0	1,597			
6. Insurance Ops	207.0	42,243	281.2	54,906			
7. Legal	725.0	83,002	819.8	86,936			
Total Direct Hours/Costs	1,918.8	265,518	2,745.9	337,303			

All other indirect costs were allocated to the CWF based on the 1.42% and 1.70% allocations noted above. The following indirect expenses were charged to the CWF:

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	13,644	15,801
Rent-Office Equip/Furniture	86450-16	218	721
Building Maintenance and Repairs	86475-16	46	291
Furniture/Equipment <\$5000	86500-16	36	72
EDP Hardware <5000	86505-16	6,441	1,440
EDP Software <5000	86506-16	32,603	36,823
Office Supplies	86510-16	311	141
Postage	86530-16	9	23
HR and IT staff allocation	85101-16	23,850	32,760
Telecommunications	86550-16	3,654	3,018
Insurance Expense	86600-16	8,068	8,597
Other Administration Services	88175-16	561	785
Direct Investment Technology Support	89805-16	321,827	264,744
Total Indirect Costs		411,268	365,216
Total Costs		676,786	702,519

Contributions & NBCs Received

**California Wildfire Fund
Contributions & NBCs Received
As of September 30, 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	300,000,000
	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	80,618,188
6. March 2023 NBC funds	4/17/2023	65,946,899
7. April 2023 NBC funds	5/25/2023	56,835,587
8. May 2023 NBC funds	6/26/2023	68,778,998
9. June 2023 NBC funds	**	19,181,396
10. July 2023 NBC funds	July'23 weekly checks	51,099,504
11. August 2023 NBC funds	Aug'23 weekly checks	86,940,015
12. September 2023 NBC funds	Sept'23 weekly checks	69,339,375
	Total NBCs	2,648,925,919
	Total Funds Received	\$ 13,348,925,919

Note 1:

Amounts highlighted in blue represent funds received subsequent to the May 4, 2023 CCRC meeting.

Note 2:

NBC funds received by CWF in 2023 are net of DWR administrative and operating expenses of \$5.2mm. The \$5.2mm is made up of \$3.5mm of DWR A&O expenses paid from Dec'22 through Sept'23 and \$1.7mm 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.

** _ As the CWF administrator, the CEA has requested and worked with the DWR to implement weekly payments of the NBC Charges to the CWF. Two weekly checks were received and deposited into CWF's account in June'23. The first weekly check was received on 06/20/2023.

Investment Analysis

California Wildfire Fund
CWF Portfolio Overview
9/30/2023

September 30, 2023

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

CWF Investment Portfolio as of September 30, 2023				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,624	53.8%	AA+	3.28
U.S. Agency & Supranational	1,153	11.1%	AA+	3.31
Corporates	3,596	34.4%	A+	4.45
U.S. TSY MMF	71	0.7%	AAA	0.00
Total	\$ 10,444	100.0%	AA	3.67

September 30, 2022

The CWF's total portfolio market value for September 2022 was \$9.55 billion with an average duration of 3.18 years and average credit ratings of "AA".

CWF Investment Portfolio as of September 30, 2022				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 5,447	57.0%	AAA	2.29
U.S. Agency & Supranational	1,061	11.1%	AAA	3.30
Corporates	2,975	31.2%	A+	4.83
U.S. TSY MMF	67	0.7%	AAA	0.00
Total	\$ 9,550	100.0%	AA	3.18

CWF Maturity Distribution: September 30, 2023



CWF Maturity Distribution: September 30, 2022

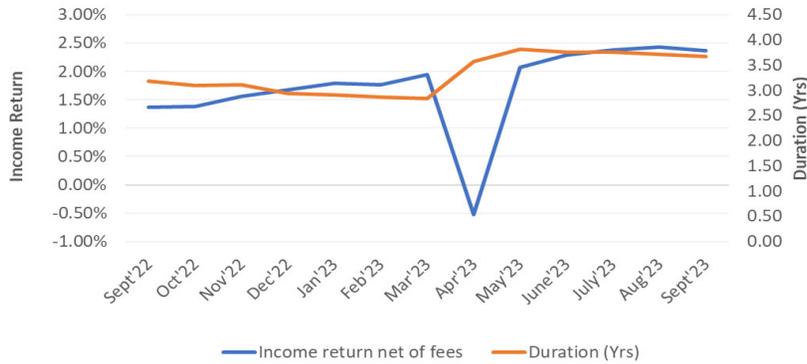


**California Wildfire Fund
CWF Portfolio 12-Month History
9/30/2023**

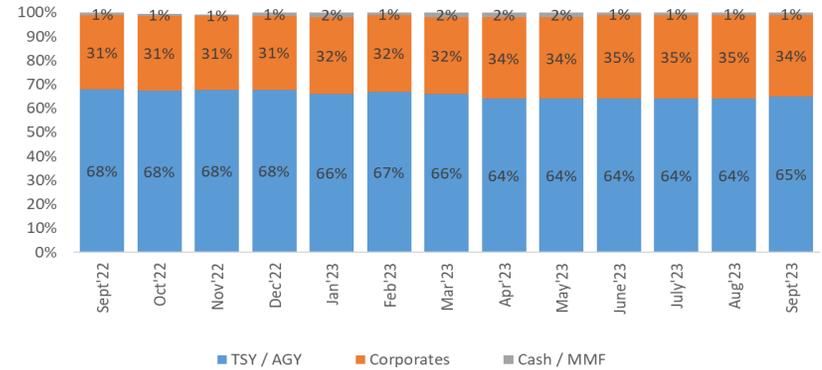
CWF Investment Portfolio Overview													
	Sept'22	Oct'22	Nov'22	Dec'22	Jan'23	Feb'23	Mar'23	Apr'23	May'23	June'23	July'23	Aug'23	Sept'23
Total Portfolio													
Market Value - Cash & Investments (\$MM)	\$9,550	\$9,542	\$9,693	\$10,111	\$10,204	\$10,022	\$10,292	\$10,299	\$10,363	\$10,362	\$10,426	\$10,578	\$10,444
Investment income (\$MM) *	11.33	11.27	12.83	14.16	15.55	15.23	16.78	(4.14)	18.10	20.01	20.95	21.57	21.02
Change in unrealized gain/(loss) (\$MM)	(228.17)	(38.82)	152.47	(29.26)	137.94	(144.51)	169.85	57.89	(88.63)	(72.89)	(1.71)	(26.84)	(143.15)
Investment management fees and bank fees (\$MM)	0.32	0.27	0.32	0.34	0.34	0.33	0.32	0.32	0.32	0.32	0.32	0.32	0.33
fees as a % of average AUM	0.0033%	0.0028%	0.0034%	0.0034%	0.0033%	0.0033%	0.0032%	0.0031%	0.0031%	0.0031%	0.0031%	0.0031%	0.0031%
Income return gross of fees	1.41%	1.42%	1.60%	1.72%	1.84%	1.81%	1.98%	-0.48%	2.11%	2.33%	2.42%	2.47%	2.40%
Income return net of fees	1.37%	1.38%	1.56%	1.68%	1.80%	1.77%	1.94%	-0.52%	2.07%	2.29%	2.38%	2.43%	2.36%
Yield to Maturity	4.26%	4.59%	4.38%	4.48%	4.27%	4.79%	4.30%	4.11%	4.49%	4.72%	4.77%	4.89%	5.14%
Duration (Yrs)	3.18	3.09	3.11	2.94	2.91	2.87	2.84	3.57	3.81	3.76	3.76	3.72	3.67
Portfolio Composition (%)													
TSY / AGY	68%	68%	68%	68%	66%	67%	66%	64%	64%	64%	64%	64%	65%
Corporates	31%	31%	31%	31%	32%	32%	32%	34%	34%	35%	35%	35%	34%
Cash / MMF	1%	1%	1%	1%	2%	1%	2%	2%	2%	1%	1%	1%	1%

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

Income Return and Duration



Sector Composition





California Catastrophe Response Council Memorandum

November 2, 2023

Agenda Item 06: Claims Administration Update

Recommended Action: No action required – Information only.

Background

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

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

2021 Dixie Fire: Activation of Phase 2, "Claims Review Mode"

At the August 3, 2023, Council Meeting, the Administrator reported that Sedgwick had completed the scope of work for Phase 1, Claims Review Readiness, of its contract, and that as of April 1, 2023, Sedgwick had begun a new, short-term scope of work ("bridge" period) that was anticipated to run through August 31, 2023, with some additional project management-related tasks running through January 2024. Sedgwick was slated to enter Phase 2, "standby mode" in January 2024.

On September 15, 2023, the Administrator received written notice from PG&E, as required by the *Procedures*, that PG&E anticipates that claim settlements will exceed a total of more than \$750,000,000 in the aggregate for third-party claims resulting from



the 2021 Dixie Fire. PG&E submitted initial claims data in connection with the 2021 Dixie Fire to Sedgwick on October 10, 2023. In accordance with the *Procedures*, the Administrator authorized Sedgwick to commence its review of those claims under Phase 2 of Sedgwick’s contract. Due to the timing of the claims submission, Sedgwick moved directly into Phase 2, “claims review mode,” bypassing “standby mode.”

Sedgwick is currently in Phase 2, “claims review mode” and is actively reviewing the 2021 Dixie Fire initial claims data.

Wildfire Monitoring and Notification

The Administrator continues to monitor and report to the Council on active wildfires as well as the status of potentially Covered Wildfires in the 2019 through 2023 coverage years. In particular, the Administrator is tracking the reported losses for four major fires—the October 2019 Kincade Fire, September 2020 Zogg Fire, July 2021 Dixie Fire, and September 2022 Mosquito Fire. PG&E’s 10-Q report to the SEC for the quarterly period ending June 30, 2023 reports aggregate liabilities of \$1.025 billion, \$400 million, \$1.175 billion and \$100 million for the 2019 Kincade Fire, 2020 Zogg Fire, 2021 Dixie Fire and 2022 Mosquito Fire, respectively. Of these, PG&E has recorded a potential recovery of \$175 million from the Fund for the 2021 Dixie Fire. PG&E’s third quarter report with updated estimates is not yet available.

Although Participating Utilities are eligible to make claims against the Fund for wildfire-related losses exceeding \$1 billion in any coverage year, PG&E reported that it has not recorded a potential recovery from the Fund for the 2019 Kincade Fire. It also noted that the 2019 Kincade Fire is subject to a 40% limitation on the allowed amount of claims arising before emergence from bankruptcy.

Next Steps

Staff from CEA will report on the status of work by the claims review services provider, wildfire monitoring, and the execution of other elements of the *Procedures* during this Council meeting.



California Catastrophe Response Council Memorandum

November 2, 2023

Agenda Item 07: Enterprise Risk Management Program

Recommended Action: No action required – information only

Risk Reporting

The 4th 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	○ Medium	○ Medium	○ Medium

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
	the direct control of CEA as the Wildfire Fund Administrator but that must be monitored			
Risk Transfer	Reasonably priced risk transfer products for wildfire cover are not available when needed	● Medium	● Strong	● Low
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

Risk Name	Description	Inherent Risk Score	Control Effectiveness	Residual Risk Score
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



Information Security

CEA's Information Security Program is undergoing a SOC2 Type 2 certification process which is an attestation by an independent auditor that CEA's internal controls over data and security processes are effective. While this certification is not yet a requirement for obtaining cyber insurance it is likely to be a criterion in the future. Additionally, independent verification is helpful in maintaining confidence and trust with our data partners. CEA's cyber insurance was successfully renewed in August with a renewal premium 5.5% lower than last year with similar terms and conditions. This is largely due to CEA's Security Team continuing to enhance the CEA's data security including routine staff training and technical enhancements that increase data security and are responsive to our insurance carriers' underwriting criteria.

Costs for the CEA's insurance program which, in addition to cyber insurance, include commercial businessowners liability coverage, Director & Officers and Employment Practices Liability coverages and Workers Compensation are allocated to the CWF based on the ratio of CWF salary & benefits costs to CEA salary & benefits costs as detailed in the Financial Report. The overall cost of the insurance program is down approximately four percent, largely driven by the reduced cyber insurance premium.

Mitigation

Investor-owned electrical corporations are required to submit Wildfire Mitigation Plans (WMP) assessing their level of wildfire risk and providing plans for wildfire risk reduction. In March 2023 each of the IOU participants submitted their three-year 2023-2025 WMPs to the Office of Energy Infrastructure Safety (OEIS.)

The Office of Energy Infrastructure Safety released its evaluation and approval of San Diego Gas and Electric's (SDG&E) 2023-2025 Wildfire Mitigation Plan on October 23, 2023.¹ The Decision next moves to the California Public Utilities Commission (CPUC) for ratification.

The Decision notes that SDG&E conducts a robust, annual inspection of vegetation adjacent to its assets and has the lowest number of vegetation-caused ignitions and

¹ A copy of the complete evaluation is available at [Energy Safety Approves SDG&E 2023-2025 Wildfire Mitigation Plan | Office of Energy Infrastructure Safety \(ca.gov\)](https://www.energy.ca.gov/office-of-energy-infrastructure-safety/energy-safety-approves-sdg&e-2023-2025-wildfire-mitigation-plan) (last checked 10/19/2023)



outages per 10,000 overhead circuit miles among the three large IOUs.² Situational awareness, emergency preparedness, and community outreach and engagement were also noted as areas of strength. OEIS's decision also identified areas of continued improvement for SDG&E's future WMP updates.

² See page 58 of the Decision.



California Catastrophe Response Council Memorandum

November 2, 2023

Agenda Item 08: Informational Presentation

Recommended Action: No action required – Information only

Forest Schafer, State Coordinator for the Governor’s Wildfire and Forest Resilience Task Force will provide an overview of statewide efforts to align the fire mitigation activities of federal, state, local, private, and tribal organizations.