2025 Annual Report

on the California Wildfire Fund's Operations

CEA CALIFORNIA EARTHQUAKE AUTHORITY™ | Wildfire Fund Administrator

July 24, 2025

Pursuant to California Public Utilities Code section 3283, this annual report on the Wildfire Fund's operations has been prepared by the California Earthquake Authority in its capacity as the Wildfire Fund Administrator, approved by the California Catastrophe Response Council, and is hereby presented to the following committees of the California State Legislature:

Senate Energy, Utilities and Communications Committee
The Honorable
Josh Becker, Chair
California State Senate
1021 O Street, Room 3350
Sacramento, California 95814

Assembly Utilities and Energy Committee
The Honorable
Cottie Petrie-Norris, Chair
California State Assembly
1020 N Street, Room 408A
Sacramento, California 95814

California Catastrophe Response Council Members	
Governor	Gavin Newsom
State Treasurer	Fiona Ma
Insurance Commissioner	Ricardo Lara
Secretary of Natural Resources	Wade Crowfoot
Member appointed by the Speaker of the Assembly	Tracy Van Houten
Member appointed by the Senate Committee on Rules	Kathleen Ritzman
Member of the public	Paul Rosenstiel
Member of the public	Rhoda Rossman
Member of the public	Catherine Barna

WILDFIRE FUND ADMINISTRATOR

ANNUAL REPORT to the
CALIFORNIA CATASTROPHE RESPONSE COUNCIL and
THE LEGISLATURE on
WILDFIRE FUND OPERATIONS

Report Period: July 12, 2024 – July 11, 2025
(Pursuant to Public Utilities Code section 3283)

Date of Report: July 24, 2025

Pursuant to Public Utilities Code section 3283, this *Annual Report on Wildfire Fund Operations* ("Annual Report") was prepared by the Wildfire Fund Administrator ("Administrator") and is presented to the Legislature at the direction of the California Catastrophe Response Council ("Council").[1] In accordance with that statute, this Annual Report includes information on Wildfire Fund ("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 information in this fourth Annual Report covers the one-year period of July 12, 2024, through July 11, 2025.

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[1] The Annual Report satisfies the Council's and Administrator's statutory duty to annually report to the Legislature on the Wildfire Fund's "Plan of Operations" as specified in Public Utilities Code section 3283.

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Executive Summary

On July 12, 2019, Governor Gavin Newsom signed AB 1054 and AB 111 (collectively, the "2019 Wildfire Legislation").[2] The 2019 Wildfire Legislation enacts a broad set of reforms and programs related to utility-caused wildfires in California, including establishing the Fund.

The purpose of the Fund is to provide a source of money to reimburse eligible claims arising from a covered wildfire caused by a utility company that participates in the Fund by assisting in capitalizing the Fund, and undertaking certain other obligations specified in the law.

Oversight of the administration of the Fund is the responsibility of the Council, created under AB 111. The Council has nine members, consisting of the Governor, the Insurance Commissioner, the Treasurer, and the Secretary for Natural Resources, each of whom may appoint designees to attend Council meetings in their place, as well as one member appointed by the Senate Committee on Rules, one member appointed by the Speaker of the Assembly, and three members of the public appointed by the Governor.

Disclaimers Regarding the Eaton and Palisades Fires: This report is based on the best available information as of June 30, 2025 – except where noted – and does not include detailed analysis of the potential impact of the Eaton Fire, as that fire is not yet designated as a covered wildfire under applicable California law. Preliminary estimates of damages remain subject to significant uncertainty; however, it is acknowledged that should Southern California Edison ("SCE") ultimately be found liable for the Eaton Fire, the resulting claims may be substantial enough to fully exhaust the Fund. Additionally, this report does not include any information related to the Palisades Fire, as there is currently no indication that the Palisades Fire will result in any liability for a utility that participates in the Wildfire Fund.

I. 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 initial claim-paying capacity to cover eligible claims arising from covered wildfires. The capitalization of the Fund's $21 billion in claim-paying capacity is split between contributions from the Fund's participating utility companies – San Diego Gas & Electric Company ("SDG&E"), SCE, and Pacific Gas & Electric Company ("PG&E") (collectively, the "IOUs") – and surcharges on

[2] Since its enactment, the 2019 Wildfire Legislation has been subsequently amended through legislation. Amendments impacting the Wildfire Fund and/or the California Catastrophe Response Council were contained in AB 1513 (Holden, Chapter 396, Statutes of 2019), in SB 350 (Hill, Chapter 27, Statutes of 2020), in AB 913 (Calderon, Chapter 253, Statutes of 2020), in AB 242 (Holden, Chapter 228, Statutes of 2021), and in SB 599 (Hueso, Chapter 703, Statutes of 2022).

the IOUs' non-exempt ratepayers, which surcharges are also referred to as Wildfire Non-bypassable Charges ("NBCs"). The contributions from the IOUs are not passed through to their ratepayers, so are effectively funded by the stockholders of those publicly traded 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 State of California's Surplus Money Investment Fund ("SMIF"), a fund within the State's Pooled Money Investment Account. The SMIF Loan was fully paid off on April 25, 2023.

As of June 30, 2025, SDG&E, SCE, and PG&E have all provided their initial, 2019, 2020, 2021, 2022, 2023, and 2024 annual financial contributions. The IOU contributions total $9.3 billion. In addition, California Public Utilities Commission ("CPUC") Decision 19-10-056 operationalized the collection of the NBCs. The Fund began receiving NBC funds in January 2021. The IOU contributions combined with the NBC funds received as of June 30, 2025, total $13,490,909,622. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue debt backed by the NBCs. Additional detail regarding the Fund's contributions as of June 30, 2025, and audited financials as of December 31, 2024, can be found in Section I: Fund Assets.

II. Projections for the Durability of the Fund

Durability is a probability measure expressing the likelihood that the Fund will have sufficient funds to pay eligible claims each year, over a number of years. The Administrator relies on catastrophe-loss model output as a starting point for measuring the distribution of eligible claims to the Fund. The California Earthquake Authority ("CEA"), as Administrator, engaged Guy Carpenter & Company ("Guy Carpenter"), a global reinsurance broker, to aid CEA in monitoring Fund durability and exposure to losses. Additional detail regarding the test scenarios and durability analysis can be found in Section II: Projections for the Durability of the Fund.

III. The Success of the Fund

Assessing the success of the Fund during its sixth full year in existence requires examination of (1) the administrative actions taken by the Administrator, under the oversight of the Council, during this report period; (2) a summary of the Council's public meetings during this report period; and (3) a summary of incurred claims.

(1) Administrative Actions taken by the Administrator, under the oversight of the Council.

During the report period, Administrator staff and the Council:

- Continued to monitor active wildfires as well as the status of covered and potentially covered wildfires in the 2019 – 2025 coverage years.

- In response to the January 2025 Southern California Wildfires, and the potential for the Eaton Fire to become a covered wildfire:
    - Have increased the liquidity of claim-paying resources through realizing net investment gains on strategic trades;
    - Continue to consider potential amendments to the *Wildfire Fund Claims Administration Procedures (“Procedures”)* to address the evaluation and prioritization of subrogation claim settlements based on settlement rates, among other items; and
    - Continue to participate in the evaluation of alternatives for extending the durability of the Fund in the face of potential large losses.
- Continued its work to develop a clear plan to undertake an eventual “wind-up” of the Fund, when eligible claims incurred from covered wildfires exhaust the Fund’s available claim-paying capacity.

More detail on these milestones can be found in the full Report, Section III: The Success of the Fund.

(2) Meetings of the Council

The Council was successfully activated in October 2019, and currently has a full roster of active members. The Council met four times during the report period: August 12, 2024; November 14, 2024; February 13, 2025; and May 1, 2025. The Council is scheduled to meet on July 24, 2025, and October 30, 2025. Details of these future meetings will be included in the next Annual Report. All publicly noticed meeting agendas and materials, along with past meeting materials, are available at this website: cawildfirefund.com.

(3) Claims Summary

2021 Dixie Fire: During the report period, upon authorization from the Administrator, Sedgwick Claims Management Services, Inc. (“Sedgwick”) completed its review of threshold claims, and determined that all claims meet the criteria for reasonable business judgment in conformance with the *Procedures*. Sedgwick continues to review eligible claims and the Administrator has commenced making reimbursement payments to PG&E. As of June 30, 2025, the Administrator has reimbursed PG&E for eligible claims arising from the 2021 Dixie Fire in the amount of $444,861,148.

2019 Kincade Fire: During the report period, the Administrator received written notice from PG&E, as required by the *Procedures*, that PG&E has paid more than $750 million in the aggregate for third-party claims resulting from the 2019 Kincade Fire. In accordance with the *Procedures*, the Administrator will authorize Sedgwick to commence its review of those claims, beginning in July 2025. As of June 30, 2025, the Administrator has not yet reimbursed PG&E for eligible claims arising from the 2019 Kincade Fire.

IV. Whether or Not the Fund is Serving its Purpose

During its sixth year of existence, the Fund furthered its statutorily-defined goals to benefit ratepayers by its impact on IOU credit ratings, the continued participation of all IOUs in the Fund, and the Administrator's experience with wildfires that occurred during the report period and associated impacts on the Fund.

- **IOU Credit Ratings**
  The creation of the Fund was viewed by the rating agencies as generally supportive of the IOUs' credit quality. However, rating agency views have been impacted by the Eaton Fire, with SCE facing the greatest near-term credit pressure due to its potential direct liability for that fire. Notably, while PG&E and SDG&E have not been directly implicated in any of the January 2025 Southern California Wildfires, rating agencies are monitoring them closely because the financial health of the Fund could be strained if the Eaton Fire becomes a covered wildfire.

- **Continued Participation of the Three Large IOUs in the Fund**
  All IOUs made their initial capital contributions to the Fund, and each of the IOUs has remitted their respective allocations of the required $300 million aggregate annual contributions for 2019 – 2024. In addition, the financial benefits of the Fund have incentivized the IOUs to pursue and obtain their 2024 safety certifications. The Fund is available to respond to covered wildfires caused by any of the IOUs during the 2025 coverage year. As noted above, it is acknowledged that should SCE ultimately be found liable for the Eaton Fire, the resulting claims may be substantial enough to fully exhaust the Fund.

- **Operational Readiness**
  The work the Administrator and Council have performed over the past six years to operationalize the Fund puts the Administrator in a ready position to discharge all statutory duties related to paying eligible claims for covered wildfires that have or may occur.

2025 Annual Report

I. Fund Assets

Public Utilities Code section 3280 defines "Wildfire Fund assets" as "the sum of all moneys and invested assets held in the fund which shall include, without limitation, any loans or other investments made by the state to the fund, all interest or other income from the investment of money held in the fund, any other funds specifically designated for the fund by applicable law, and the proceeds of any special charge (or continuation of existing charge) allocated to and deposited into the fund, reinsurance, and the proceeds of any bonds issue for the benefit of the fund."

As the Administrator, the CEA is custodian of the Fund's cash and investments. This requires the CEA to report those held assets as a segregated custodial fund in CEA's financial statements. Detailed information relevant to the Fund can be found in CEA's 2024 audited financial statements, available on this webpage: EarthquakeAuthority.com/About-CEA/Financials/Financial-Statements. Following are excerpts of that financial information, which covers calendar year 2024, along with supplemental unaudited information related to the Fund's contributions received through June 30, 2025.

California Earthquake Authority

Fiduciary Fund
Statement of Fiduciary Net Position
Fiduciary Fund of California Wildfire Fund

December 31, 2024 and 2023

	Custodial Fund	
	2024	2023
Assets		
Cash and investments:		
Cash and cash equivalents	$ 478,679,326	$ 357,485,746
Investments	12,379,364,117	11,055,244,876
Securities receivable	-	26,875,400
Total assets	12,858,043,443	11,439,606,022
Liabilities - Securities payable	74,793,715	-
Net Position - Restricted	**$ 12,783,249,728**	**$ 11,439,606,022**

The 2019 Wildfire Legislation created a capitalization structure that ultimately will result in an initial total claim-paying capacity for the Fund of approximately $21 billion. As noted above, the approximately $21 billion in claim-paying capacity is generated from two revenue streams: surcharges on ratepayers of IOUs; 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.

The 2019 Wildfire Legislation authorizes the IOUs to remit NBCs collected from their non-exempt ratepayers to the Department of Water Resources ("DWR") to support the Fund. The 2019 Wildfire Legislation also authorized DWR to issue revenue bonds ("Wildfire Revenue Bonds") after the legacy Power Supply Revenue Bonds have been paid or defeased in full to support the Fund. The NBCs are imposed by the CPUC on approximately 11.5 million customers in the service areas of the participating IOUs.

The CPUC Decision 19-10-056 adopted the Rate Agreement between DWR and the CPUC, established an "irrevocable financing order" under the CPUC code, and calculated the annual revenue requirement of $902.4 million to be collected through NBCs that shall remain in effect until January 1, 2036. NBCs will be used to secure Wildfire Revenue Bonds; NBCs in excess of those required to pay the Wildfire Revenue Bonds, replenish any bond-related reserves, and pay DWR administrative and operating expenses will be deposited in the Fund. Once deposited in the Fund, NBCs are no longer available to pay debt service on the Wildfire Revenue Bonds. The NBCs build upon the long and successful history of the collection of similar bond charges under the DWR Power Supply Revenue Bond Program through several economic cycles and two PG&E bankruptcies dating back to 2002.

Administrator staff continues to work with DWR and the State Treasurer's Office to evaluate the need for a bond issuance by DWR as a conduit, backed by a pledge of the NBCs as described above. There were no bonds issued or outstanding during the report period.

As the table on the following page shows, as of June 30, 2025, the Fund has received $13,490,909,622 in capitalization. This capitalization figure includes the $2 billion SMIF loan that was received by the Fund in August 2019, and repaid in full in April 2023. The SMIF loan funds are therefore no longer available to pay eligible claims. Should the Fund need additional capitalization to meet needs arising from eligible claims resulting from covered wildfires, the Fund can issue revenue bonds through the DWR, secured by future NBC revenues.

The 2019 Wildfire Legislation also requires that all costs and expenses related to the administration and operation of the Fund be paid from the assets of the Fund. Because CEA is now obligated to administer two separate and segregated funds – the Earthquake Authority Fund and the Wildfire Fund – and is using its operating assets and employees for the benefit of both funds, the CEA continues to use a cost-allocation methodology to ensure that each of those funds bears its own administration expenses. This cost allocation methodology is reviewed periodically for accuracy by CEA staff and is within the scope of CEA's annual independent audit. The independent auditor did not raise any issues or concerns about the effectiveness of this cost-allocation methodology during the period covered by this report. In addition, Administrator staff periodically presents the cost-allocation methodology to the Council, including, but not limited to, as part of the Administrator's annual budget process, and the Council has reviewed and not raised any issues or concerns about the cost-allocation methodology.

CALIFORNIA WILDFIRE FUND

Contributions & NBCs Received

As of June 30, 2025

	Description	Date Received	Amount
1.	SDG&E initial capital contribution	9/9/2019	322,500,000
2.	SoCal Edison initial capital contribution	9/9/2019	2,362,500,000
3.	SDG&E 2019 annual contribution	12/19/2019	12,900,000
4.	SoCal Edison 2019 annual contribution	12/27/2019	94,500,000
5.	PG&E initial capital contribution	7/1/2020	4,815,000,000
6.	PG&E 2019 annual contribution	7/1/2020	192,600,000
7.	IOUs 2020 annual contributions	December-20	300,000,000
8.	IOUs 2021 annual contributions	December-21	300,000,000
9.	IOUs 2022 annual contributions	December-22	300,000,000
10.	IOUs 2023 annual contributions	December-23	300,000,000
11.	IOUs 2024 annual contributions	December-24	300,000,000
		Total IOU Contributions	9,300,000,000
1.	SMIF Loan Proceeds	8/15/2019	2,000,000,000
2.	SMIF Loan Principal Payments	4/25/2023	(2,000,000,000)
3.	2021 NBC funds received	12-months of 2021	875,076,565
4.	2022 NBC funds received	12-months of 2022	1,116,593,213
5.	2023 NBC funds received	12-months of 2023	888,460,672
6.	2024 NBC funds received	12-months of 2024	889,304,019
7.	2025 NBC funds received	First 6-months of 2025	421,475,153
		Total SMIF Loan Activity & NBCs	4,190,909,622
		Total Funds Received & Reimbursed	$ 13,490,909,622

Note 1:
NBC funds received by CWF are net of DWR administrative and operating expenses.

II. Projections for the Durability of the Fund

This section provides the annual report on the Fund's projected durability. The Council and Administrator are specifically required to report at least annually to the Legislature on the projected durability of the Fund. If new claims are submitted to the Fund or existing claims develop adversely such that the projected durability of the Fund changes, the Council and Administrator will note the developments in a subsequent report.

The stated legislative intent and language of the 2019 Wildfire Legislation requires that the Fund be administered to maximize the durability of the Fund so that it provides protection and claim-paying resources to the IOUs while they continue to invest in safety measures designed to reduce the frequency and severity of utility-caused wildfires. For example, Public Utilities Code section 3281(e) authorizes the Administrator, subject to the oversight of the Council, to "buy insurance or take other actions to *maximize the claims paying resources of the fund.*"

"Durability" Defined

Durability is a probability measure expressing the likelihood that the Fund will have sufficient funds to pay eligible claims each year, over a number of years. For example, if the projected Fund durability is 90% for 2035, that would mean there would be a 90% probability that the Fund will have endured to 2035, while paying eligible claims as and when they arise. Conversely, there would be a 10% chance that the Fund would not have had sufficient funds to pay all eligible claims arising during that time period. Durability is a cumulative measure and is expected to decline over any specific number of years as money is periodically drawn from the Fund to pay eligible claims.

Dependencies/Key Factors Influencing Durability

At its simplest, durability depends on the amount of losses flowing to the Fund and the amount of money the Fund has, or will have, to pay eligible losses. Larger more frequent losses, which exceed the annual aggregate IOU retention of $1 billion, potentially exhaust the Fund more quickly. The larger the amount of available Fund sources to pay losses (initial capital, investment income, IOU annual contributions, risk transfer, if any, and available ratepayer funds), the longer the Fund will remain in a position to pay losses. Of these funding sources, risk transfer is the only one that is flexible and has the potential to significantly enhance the durability of the Fund by adding to the claim-paying capacity of the Fund. However, it will only enhance durability if the expected benefit exceeds the cost of obtaining the risk transfer. The annual aggregate IOU retention can also increase the durability of the Fund because raising the retention reduces Fund losses. As described below, during the report period, the Administrator did not purchase risk transfer or change the annual aggregate $1 billion IOU retention. Investment income and the timing of the receipt of the ratepayer funds can also influence durability inasmuch as higher investment returns and timely receipt of the NBCs increases available funds.

The key factors influencing durability are:

- the dollar amount of wildfire losses,
- a determination of prudency,
- the subrogation settlement rate,
- successful mitigation measures,
- climate change,
- exposure growth, which is the increase in the value of the property at risk for wildfire damage,
- the annual aggregate individual IOU loss retention, which is currently $1 billion, and
- funding.

Estimating Fund Losses—Catastrophe-Loss Models

Using catastrophe-loss models to assess the loss potential from hurricanes and earthquakes has been commonplace in the insurance industry for underwriting risk and understanding loss potential since the early 1990s. Catastrophe-loss models are also used for assessing risk at the local, state, and national level and for emergency planning scenarios. In comparison, catastrophe-loss models for wildfire risk are newer, have not been as widely tested in the market, and have significant differences in the approaches used and the modeled results from one model to the next. Nevertheless, the models can be useful in developing a range of potential wildfire losses. The Administrator is relying on Moody's North American Wildfire Model Version 2.0 ("Moody's Wildfire Model") as a starting point for measuring the potential distribution of eligible claims to the Fund. The Administrator relies on Guy Carpenter to perform the necessary analyses to construct the potential range of losses.[3]

[3] The data and analysis provided by Guy Carpenter & Company, LLC ("Guy Carpenter") herein or in connection herewith are provided "as is," without warranty of any kind whether express or implied. The analysis is based upon data provided by the California Earthquake Authority (the "CEA") or obtained from external sources, the accuracy of which has not been independently verified by Guy Carpenter. Neither Guy Carpenter, its affiliates, nor their officers, directors, agents, modelers, or subcontractors (collectively, "Providers") guarantee or warrant the correctness, completeness, currentness, merchantability, or fitness for a particular purpose of such data and analysis. In no event will any Provider be liable for loss of profits or any other indirect, special, incidental and/or consequential damage of any kind howsoever incurred or designated, arising from any use of the data and analysis provided herein or in connection herewith. Provider's liability will be limited to the compensation received by Provider from the CEA for this work. In providing the data and analysis contained herein, Guy Carpenter does not purport to render any accounting, legal, regulatory, or tax advice. Statements or analysis concerning or incorporating tax, accounting, legal, or regulatory matters made by Guy Carpenter representatives should be understood to be general observations or applications based solely on Guy Carpenter's experience as reinsurance brokers and risk consultants and may not be relied upon as tax, accounting, legal, or regulatory advice, and all such matters should be reviewed with, and appropriate advice obtained from, the recipient's own qualified tax, accounting, legal, and regulatory advisors in these areas.

Modeling wildfire risk is a complex process due to the human element. Unlike other catastrophic perils humans can both start and stop fires. The Moody's Wildfire Model considers the natural environment, built environment and human factors. Moody's Wildfire Model considers such factors as ignition including explicit representation of utility-triggered wildfires, weather and fuels, topography, wind, smoke, suppression and building and construction materials. The output from the Moody's Wildfire Model includes 100,000 event scenario losses that can be accumulated and ranked to form a distribution of loss by size of loss. Losses from the Moody's Wildfire Model are built on an industry exposure database representing insurable California property valued at 2025. The modeled losses are increased by 100% to approximate total losses (not just insurable property losses).

There are multiple sources of uncertainty in assessing the amount and frequency of eligible claims flowing to the Fund. As noted above, the catastrophe-loss model provides a range of potential losses. It does not predict when a loss will occur. It must be recognized that actual losses to the Fund will vary, perhaps significantly, from the estimated adjusted modeled losses.

Financial Models

Because the Fund is a complex mechanism dependent on largely uncertain events, a typical best case, worst case, expected case type of pro-forma analysis is not sufficient to understand the potential range of outcomes. Using the catastrophe loss models and the Fund's financial status as the starting point, a stochastic financial model is built to project the Fund's probability that there are funds remaining at year-end 2025 to pay future claims under a variety of scenarios.

The starting position for the financial model for the current analysis starts with the actual financial position of the Fund as of May 2025 which includes a $631 million reserve reflecting estimates for outstanding eligible losses from the 2019 Kincade and 2021 Dixie Fires.[4] The financial model considers all available Fund sources to pay eligible claims including future IOU and ratepayer contributions. As noted above, there are multiple sources of uncertainty in assessing the amount and frequency of eligible claims flowing to the Fund. Scenario testing provides an opportunity to measure the relative impact of key factors. A summary of four test scenarios and results is displayed in the table on the following page.

[4] As of March 31, 2025, PG&E has recorded aggregate liabilities of $1.275 billion for the 2019 Kincade Fire and $1.975 billion for the 2021 Dixie Fire. (See PGE-03.31.25-10Q, p. 13, last checked 6/23/25). NOTE: Because PG&E was the subject of an insolvency proceeding at the time of the ignition of the Kincade Fire and had not yet emerged from bankruptcy, the Fund will not pay more than 40 percent of the allowed amount of a claim arising from the Kincade Fire. See Cal. Pub. Utilities Code §3292(e).

Scenario	Estimated Fund Durability for 2025[5]
1. Base - 40% settlement rate - 100% prudency	99.7%
2. High Settlement Rate - 70% settlement rate - 100% prudency	99.1%
3. Base Adjusted - 1 - $5 billion loss incurred - 70% & 40% settlement rate - 100% prudency	98.7% – 99.5%
4. Base Adjusted - 2 - $10 billion loss incurred - 70% & 40% settlement rate - 100% prudency	98.0% – 99.1%

Base — 1

The base scenario is the current view of risk considering a subrogation settlement rate of 40%.[6] For all scenarios, prudency is assumed to be 100%. This assumption is done for two specific reasons:

- First, there is no historical basis upon which to estimate the likelihood that a particular wildfire caused by an IOU would have been deemed to be imprudent. The revised prudency standard created by the 2019 Wildfire Legislation has not been interpreted or applied by the CPUC and will depend on the CPUC's prudency review.

[5] As estimated one-year Fund durability for 2025 ranges from 99.1% - 99.7% for the first two scenarios. This can alternatively be stated as a range of 1-in-109 to 1-in-288 chance that the Fund will suffer losses in 2025 that will ultimately exhaust all sources of claim-paying capacity. This is lower from last year's assessment (1-in-110 to 1-in-190) primarily due to claims payments on eligible losses ($435 million) combined with an increase in the reserves for potential losses from known covered wildfires from prior years. Due to the length of time from when a wildfire occurs, if it is determined to have been caused by an IOU, the IOU has settled or adjudicated third-party claims that exceed the $1 billion annual aggregate retention and eligible claims ultimately flow to the Fund, the likelihood that all sources of claim-paying capacity will be exhausted in 2025 is 0%. In other words, on a paid basis, the Fund will most certainly have cash remaining at the end of 2025. However, on an incurred basis, there is a possibility that the losses that occurred to date or will occur in the remainder of 2025 could ultimately exhaust the Fund.

[6] The term "subrogation settlement rate" refers to settlements between an IOU that caused a covered wildfire, and the insurance companies that initially paid insured losses from the fire and later seek reimbursement of some or all of their aggregate claim payments from the IOU by way of "subrogation claims." Historically, the insurance companies and IOUs negotiate aggregated settlements for a percentage of the amounts paid out by the insurers.

- Second, assuming 100% prudency presents a more conservative view of durability. If the CPUC's prudency review determines that the IOU was not prudent, the IOU must reimburse the Fund, subject to statutory limits, and there is less loss to the Fund. While this is not a desirable result – better that the IOUs act prudently – the effect is that the Fund has more resources and higher durability when prudency is low.

High Settlement Rate — 2

This scenario is provided to explore the effects of settlement rates on Fund durability. This scenario is the same as Base – 1 with the settlement rate set at 70%. Because a higher settlement rate means more losses are paid from the Fund, the 70% settlement rate is associated with a lower durability estimate in the current year. The difference appears small because the probability associated with a modeled loss large enough to exhaust all sources of claim-paying capacity in any one year is small. However, it must be noted that the probability of defaulting in a single year is three times higher in this scenario. Over a longer projection period, a consistently higher settlement rate has a significantly adverse effect on Fund durability.

Base Adjusted — 3 & 4

These scenarios test the impact on Fund durability assuming that eligible claims in the amount of $5 billion or $10 billion have been incurred but not reported. These amounts are used to test the impact of potential eligible claims from prior wildfires for which the cause has yet to be determined and for adverse development on known covered wildfires.[7] Again, the percentage differences between scenarios 1 and 2 versus scenarios 3 and 4 may appear small. However, the probability of defaulting in a single year is 2 – 3 times higher in these scenarios.

Frequency of Review

The financial models are updated each year to reflect the most recent available financial status of the Fund including any claim activity, change in the risk transfer program or change in key assumptions such as growth and mitigation impacts. The financial models can also be used and updated throughout the year to measure the impact of anticipated or actual changes. Additionally, the models may be used throughout the year as a planning tool to test alternative strategies and what-if scenarios.

[7] As noted above, the Fund has recorded a $631 million reserve associated with potential losses from the 2019 Kincade and 2021 Dixie Fires. It is not uncommon for losses to adversely develop (i.e., increase) over time. For example, in its March 31, 2025 10-Q report, PG&E noted a $50 million increase in its estimated losses attributable to the 2019 Kincade Fire from its estimate at year-end 2024. Additionally, PG&E's estimates for the 2019 Kincade and 2021 Dixie Fires are "based on estimated losses that represent the lower end of the range of reasonably estimable range of losses." Their report makes note that the accrued estimated losses do not include, among other things, state or federal fire suppression costs and damages related to federal land. According to the Cal Fire Investigation report, over $650 million of costs were incurred in suppressing the 2021 Dixie Fire. PG&E estimates that the fire burned approximately 70,000 acres of national parks and approximately 685,000 acres of national forests. See PGE-03.31.25-10Q, pg. 68, last checked 6/25/25.

Enhancing Durability Using Risk Transfer

As noted above, risk transfer is a flexible source of claim-paying capacity that has the potential to enhance the durability of the Fund, depending on the structure and price. Consistent with prior years, Administrator staff determined that the market pricing and structure did not meet the goal of enhancing the Fund's durability and, therefore, did not engage the market for a risk transfer program during the report period.

Enhancing Durability through the annual aggregate IOU retention

Public Utilities Code section 3293 requires that each of the IOUs "maintain reasonable insurance coverage." Section 3293 also requires the Administrator to periodically review the IOUs' insurance programs and make recommendations to each IOU "as to the appropriate amount of insurance coverage required," taking into account a list of enumerated risk factors and any other factors deemed appropriate by the Administrator.

As the IOU retention increases, Fund durability increases. The California Legislature expressed a general expectation that the Fund would remain durable for the 10-to-15-year period during which the IOUs would be making enhanced investments in infrastructure safety. Section 3293 can assist the Administrator in managing the durability of the Fund through upward adjustments to the minimum $1 billion retention amount. However, any increase in the retention must also consider the impact to ratepayers.

Based on the Administrator's review, coupled with the facts that there have not yet been substantial claims on the Fund since it was established in July 2019, the current annual retention threshold of $1 billion is expected to be sufficient to maintain long-term durability consistent with the Legislature's intent – exceeding the targets of 75% and 65% for 10 and 15 years, respectively – unless the average annual eligible claim level exceeds $1.5 billion which has not been the case to date.

Enhancing Durability through controlling claims outflows

The Administrator is required by law to review and approve any settlement of an eligible claim by a participating IOU as being in the reasonable business judgment of the IOU before reimbursing the IOU from the Fund. As noted above, the subrogation settlement rate has an influence on the amount of claims payments and durability. Thus, to the extent the Administrator can create a structured framework through its Procedures that incentivizes subrogation claims holders and the IOUs to achieve settlement rates that align more closely with the law's target of 40%, claim outflows will be less and durability increased. More information on the Administrator's actions to date on this initiative can be found in Section III: The Success of the Fund.

Other means to control claims outflows include such things as capping or creating schedules for certain types of claims and limiting attorneys fees on inverse condemnation claims. These types of controls are not within the power of the Administrator under current law. While the IOUs themselves can and have developed processes to quickly settle claims,[8] additional mechanisms to control claims costs would require legislative change.

Plan for Winding up the Fund

Based on information available at the time of this report, current projections do not demonstrate that the Fund will be exhausted within the next three years. Accordingly, this Annual Plan does not include a plan for winding up the Fund. More information on the Administrator's actions to date to develop a framework for a wind-up plan that can be executed when needed can be found in Section III: The Success of the Fund.

Comparison to Prior Year

The financial model used to assess Fund durability begins with the Moody's Wildfire Model. This is a change from last year's assessment which used the Verisk Touchstone 8 wildfire model. The primary reasons for moving to a new model are: (1) wildfire models are maturing and new data, techniques and considerations have been incorporated (i.e., it is a general expectation that there will be periodic updates to the available wildfire models); and (2) the Moody's Wildfire Model includes explicit consideration of wildfires triggered by utility equipment. In the prior assessments modeled losses were attributed to a specific IOU using an attribution rate methodology developed by Guy Carpenter as a post-processing step which looked at the location of the ignition (to assign it to an IOU service area) and the size of the fire assuming that larger fires were more likely caused by a utility.[9] Updates to the financial model include reflecting the most recent year-end financial status and advancing the starting point one year (from 2023 to May 2025).

IOU Measures of Durability

The Fund does not have a specified term and it will continue until the assets of the Fund are exhausted and the Fund is terminated, in which case, any remaining funds will be transferred to California's General Fund to be used for wildfire mitigation programs. Because the term is not specified, each of the IOUs has estimated and reports their own assessment of Fund durability in terms of years of coverage. This is necessary to amortize the Fund asset over the useful life of the Fund.

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[8] For example, PG&E designed its Direct Payments for Community Recovery Program to "easily and quickly compensate individuals whose homes, including mobile homes, were destroyed in the 2021 Dixie Fire." See PG&E Dixie Fire.pdf (last checked 6/30/25).

[9] This was the same process used when the Fund was initially established, based on the information available at the time.

In estimating the life of the Fund, each IOU reviewed historical data from wildfires caused by electrical utility equipment and similar categories of assumptions as the Administrator (e.g., mitigation effectiveness, settlement rates, climate change). They, too, note the high degree of uncertainty related to the estimates. PG&E and SCE have maintained a 20-year estimate for the life of the Fund.[10] [11] In 2024, SDG&E revised its estimate of the period of benefit from 15 years to 25 years.[12]

[10] See PGE-03.31.25-10Q, pg. 50, last checked 6/26/25.
[11] See Form 10-Q for Edison International filed 04/29/2025, pg. 28, last checked 6/26/26.
[12] See Sempra 2024 Annual Report, pg. F-39, last checked 6/26/25.

III. The Success of the Fund

This Section III: (1) provides an overview of the administrative actions taken by the Administrator, under the oversight of the Council, during this report period; (2) provides a summary of the Council's public meetings during this report period; and (3) provides a summary of incurred claims.

Administrative Actions taken by the Administrator, under the Oversight of the Council

Wildfire Monitoring

The Administrator continues to monitor active wildfires and IOUs' reporting about the potential involvement of their equipment in causing wildfires, and report on these occurrences using pre-approved templates to notify council members. As of May 1, 2025, the Administrator is monitoring four wildfires:

Wildfire Ignition Date	Covered Wildfire Determination Date	IOU Claims Settlement Dates/Loss Estimates[13]
Mosquito Fire, 9/16/2022	Investigation ongoing	PG&E estimates losses in excess of $100 million as of 03/31/2025
Dixie Fire, 7/13/2021	1/04/2022	PG&E estimates losses in excess of $1.925 billion and recorded an aggregate Fund receivable of $925 million for probable recoveries as of 03/31/2025
Kincade Fire, 10/13/2019	07/16/2020	PG&E estimates losses in excess of $1.275 billion as of 03/31/2025
Eaton Fire, 01/07/2025	Investigation ongoing	Fire originated in SCE servicing territory

[13] PG&E loss estimates are from PG&E's Q1 2025 10-Q Quarterly Report to the U.S. Securities and Exchange Commission, available at PG&E - March 31, 2025 Form 10-Q.

Response to the January 2025 Southern California Wildfires

The Administrator has taken three key actions in response to the January 2025 Southern California Wildfires, and the potential for the Eaton Fire to become a covered wildfire.

1) Increased liquidity of claim-paying resources through realizing net investment gains on strategic trades.

Between February 28, 2025, and March 11, 2025, the Administrator initiated investment sales to create liquidity. Following internal discussions and meetings with the Administrator's financial advisor and asset managers, it was determined that continued volatility in the financial markets provided increased uncertainty regarding the unrealized gain/(loss) position of the Fund portfolio. Therefore, the Fund sold approximately $4 billion in assets to create additional liquidity. The investment team focused on securities that had durations over two years with an unrealized gain and selected other securities with modest unrealized loss positions that in total did not exceed the gains. Market volatility that occurred during this period benefited the Administrator in realizing a net gain of approximately $15 million.

2) Developing potential amendments to the Procedures to better protect Fund durability.

The amendments have not been finalized or adopted, but as are currently being considered, would incentivize efficient claim resolution by an IOU while rewarding subrogation claims holders who present reasonable, good faith settlement expectations – rather than those seeking to profit at the expense of ratepayers and the Fund. The amendments would also establish criteria and guiding principles that an IOU must adhere to when developing a Direct Payments for Community Recovery Program.

3) Participating in the evaluation for alternatives for extending the durability of the Fund in the face of potential large losses.

The magnitude of the January 2025 Southern California Wildfires has drawn attention to the Fund and the aggregate amount of the Fund's claim-paying capacity. During the review period, the Administrator re-engaged the consulting team of subject matter experts who assisted in the development of the 2019 Wildfire Legislation to aid in policy discussions with the Governor's Office, the Legislature, and Stakeholders on opportunities to maximize the claim-paying capacity of the Fund for the benefit of California. This work is anticipated to continue through the 2025-2026 legislative session.

Development of a Fund Wind-up Plan

The Administrator has not included a plan for winding up the Fund in any Annual Report to date because projections have not shown that the Fund would have been, or would be, exhausted within three years of the relevant reporting periods. In April 2024, in anticipation of one day having to prepare a winding-up plan, the Administrator began work to consider how it would handle eligible claims in a wind-up scenario. Once it becomes clear that claims on the Fund will exceed its assets and necessitate a wind-up, decisions will need to be made as to how assets will be allocated among competing claims. During the report period, work on the winding-up plan continued, with the Administrator seeking input from the IOUs on its preliminary hypothesis on a workable and fair methodology.

Overview of the Council's Public Meetings

The Council met four times during the report period: August 12, 2024; November 14, 2024; February 13, 2025, and May 1, 2025.

During its August 12, 2024, meeting, the Council, among other matters, selected Paul Rosenstiel to serve as Vice Chair, delivered the evaluation of CEA as the Administrator for 2023, and discussed and adopted the Fifth Annual Report and authorized the Administrator to deliver the Report to the Senate Committee on Energy, Utilities, and Communications and Assembly Committee on Utilities and Energy. Administrator staff presented on various topics, including the Fund's financial report, a claims administration update, a report on CEA's operations and leadership, an update on the Fund Enterprise Risk Management Program, and requests received by the Administrator for it to undertake a modeling analysis of the Fund's durability if the Fund were ordered to make up to $6 billion in distributions to the PG&E Fire Victims Trust. SDG&E also made a presentation of its wildfire mitigation activities.

During its November 14, 2024, meeting, the Council, among other matters, heard a presentation from Jesse Cason, Jr., P.E., Manager, California Energy Bond Office, DWR, on DWR's expenses related to the management of the NBCs collected on behalf of the Fund. Administrator staff presented on various topics, including a discussion of proposed 2025 Council meeting dates, the Fund's financial report, claims administration update, and an update on the Fund Enterprise Risk Management Program.

During its February 13, 2025, meeting, the Council, among other matters, approved the proposed 2025 Fund budget and directed staff to operate Fund business operations within the total approved budget amounts. Administrator staff facilitated a discussion with the Council on the January 2025 Southern California Wildfires, CEA's Fund administration, and forward-looking administration activities. Administrator staff also made presentations on a variety of topics, including the plan for preparing the evaluation of CEA as the Administrator for 2024, the Fund's financial report, an update on claims administration, and the Fund Enterprise Risk Management Program.

During its May 1, 2025, meeting, the Council, among other matters, approved augmentations to the Fund 2025 budget to support Fund durability initiatives. Administrator staff facilitated a discussion with the Council on the Eaton Fire, Administrator enhancements and updates, and a state legislative report. Administrator staff also made presentations on a variety of topics, including the Fund's financial report, an update on claims administration, and the Fund Enterprise Risk Management Program.

In response to the January 2025 Southern California Wildfires, the Council increased the frequency of its meetings to four meetings per year. The Council is currently scheduled to meet on July 24, 2025, and October 30, 2025. Information about those meetings will be included in the next Annual Report.

Claims Summary

The Fund will reimburse IOUs for “eligible claims,” as defined by the 2019 Wildfire Legislation. Eligible claims are those claims that are a result of a “covered wildfire,” as that term is defined in the 2019 Wildfire Legislation, and are in excess of the IOUs annual threshold retention, which is currently set at $1 billion.

2021 Dixie Fire: Since it has been determined that PG&E’s equipment caused the 2021 Dixie Fire, this fire is a “covered wildfire.” During the report period, Sedgwick completed its review of the threshold claims in accordance with the Procedures and determined that those claims were settled using reasonable business judgement, a standard set by the 2019 Wildfire Legislation. Additionally, Sedgwick has reviewed and continues to review claims documentation for claims in amounts in excess of the $1 billion threshold amount (eligible claims), and, as of June 30, 2025, the Administrator has reimbursed PG&E for eligible claims in the amount of $444,861,148 after determining those claims have been settled using reasonable business judgment. PG&E’s Form 10-Q for the quarterly period ending March 31, 2025 notes that it has recorded an aggregate liability of $1.975 billion in connection with the 2021 Dixie Fire.

2019 Kincade Fire: Since it has been determined that PG&E’s equipment caused the 2019 Kincade Fire, this fire is a “covered wildfire.” It is worth noting that because PG&E was the subject of an insolvency proceeding at the time of the ignition of the Kincade Fire and had not yet emerged from bankruptcy, the Fund will not pay more than 40 percent of the allowed amount of a claim arising from the Kincade Fire. During the report period, the Administrator received written notice from PG&E, as required by the Procedures, that PG&E has paid more than $750 million in the aggregate for third-party claims resulting from the 2019 Kincade Fire. PG&E is in the process of providing Sedgwick the required documentation needed to commence the review for reasonable business judgement for threshold and eligible claims. The review is scheduled to start in July 2025. PG&E’s Form 10-Q for the quarterly period ending March 31, 2025 reports aggregate payments made for the Kincade Fire in the amount of $1.066 billion. PG&E has reported accrued losses for the Kincade Fire of $1.275 billion. As of the date of this report, the Administrator has not yet reimbursed PG&E for eligible claims arising from the 2019 Kincade Fire.

For both the 2021 Dixie Fire and the 2019 Kincade Fire, PG&E Corporation and the Utility state that “[t]hese liability amounts correspond to the lower end of the range of reasonably estimable probable losses…but do not include all categories of potential damages and losses.”[14] For example, fire suppression costs are not included in the estimates. PG&E reported that the Cal Fire Investigation Report estimates over $650 million of costs suppressing the 2021 Dixie Fire.

[14] PG&E - March 31, 2025 Form 10-Q, see page 13; also see pages 64 – 70 for a discussion of the 2019 Kincade, 2021 Dixie and 2022 Mosquito Fires.

IV. Whether or not the Fund Is Serving its Purpose

The 2019 Wildfire Legislation's stated goals for the Fund are to benefit California ratepayers by:

- Reducing costs to ratepayers in addressing utility-caused catastrophic wildfires.
- Limiting the electrical corporations' exposure to financial liability resulting from wildfires that were caused by the utility and/or its equipment.
- Increasing electrical corporations' access to capital to fund ongoing operations and to make new investments to promote safety, reliability, and California's clean energy mandates.
- Supporting electrical corporations' credit worthiness so they can attract capital for investments in safe, clean, and reliable power for California at a reasonable cost to ratepayers.

See AB 1054 (Holden, Burke & Mayes, Chapter 79, Statutes of 2019), Section 1.

To assess whether or not the Fund is serving its purpose, this Section IV examines the rating stability of the IOUs, the incentives AB 1054 creates for the IOUs to invest in mitigation, the continued participation of all three large IOUs in the Fund, and the Administrator's experience with wildfires that occurred during the report period and associated impacts on the Fund.

Rating Stability of the IOUs

The creation of the Fund was viewed by the rating agencies as generally supportive of the IOUs' credit quality. However, rating agency views have been impacted by the Eaton Fire, with SCE facing the greatest near-term credit pressure due to its potential direct liability for that fire. Notably, while PG&E and SDG&E have not been directly implicated in any of the January 2025 Southern California wildfires, rating agencies are monitoring them closely because the financial health of the Fund could be strained if the Eaton Fire becomes a covered wildfire.

- Following the Eaton Fire, both S&P and Fitch have placed a Negative Outlook on SCE due to wildfire risk and potential depletion of the Wildfire Fund.
- In March 2025, PG&E was upgraded one notch by Moody's due to reduced credit risks from wildfires.
- SDG&E had no ratings actions, and Fitch noted that SDG&E's wildfire risk exposure is much less severe than its peers due to mitigation efforts.

AB 1054 Creates Incentives for the IOUs to Invest in Mitigation

Increased investments in electric utility grid hardening, situational awareness, and, in the near term, the use of public safety power shutoffs, may help to significantly reduce the risk of utility-caused catastrophic wildfires. AB 1054 requires $5 billion in the aggregate for utility wildfire safety investments with no return on equity for the utility. AB 1054 requires electrical corporations to file Wildfire Mitigation Plans with the CPUC. These Wildfire Mitigation Plans must cover at least a three-year period and describe a utility's plans to implement preventive strategies and programs to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including consideration of dynamic climate change risks. More information on PG&E, SCE, and SDG&E 2023-25 Wildfire Mitigation Plans and Related Documents is available at the California Office of Energy Infrastructure Safety ("OEIS") website: energysafety.ca.gov/what-we-do/electrical-infrastructure-safety/wildfire-mitigation-and-safety/wildfire-mitigation-plans/2023-wildfire-mitigation-plans.

In addition, AB 1054 creates incentives by way of cost-recovery from the Fund, for IOUs to obtain and maintain safety certifications from OEIS. Safety certifications encourage an IOU to invest in safety and improve safety culture to limit wildfire risks and reduce costs. During the report period, PG&E, SCE, and SDG&E all received their 2024 safety certifications from OEIS. More information on these safety certificates is available at OEIS's website: energysafety.ca.gov/what-we-do/electrical-infrastructure-safety/wildfire-mitigation-and-safety/safety-certifications.

Wildfires During the Report Period

While 2024 was another active wildfire season, there were no fires of size that would impact the Fund, where an IOU was identified to have been the cause. Should any IOU submit a claim to the Fund, the Administrator will review any such claims in accordance with its *Procedures*.

Detailed information about the 2024 wildfire season is available at CAL FIRE's website: fire.ca.gov/incidents/2024.

The Administrator is monitoring the wildfires that started in January 2025 in Southern California. One of the larger fires, the Eaton Fire, started in the servicing territory of SCE. According to CAL FIRE, the fire burned 14,000 acres, resulted in 17 fatalities, and destroyed over 9,400 structures. The cause of the Eaton fire is under investigation. The Administrator will continue to monitor the investigation and work with the IOU should this fire become a covered wildfire. Detailed information about the 2025 wildfire season is available at CAL FIRE's website: fire.ca.gov/incidents/2025.

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