TABLE OF CONTENTS

July 24, 2025

Notice Publication Date: July 14, 2025

PUBLIC NOTICE

A PUBLIC MEETING OF THE CALIFORNIA CATASTROPHE RESPONSE COUNCIL

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

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

DATE: July 24, 2025
TIME: 2:00 p.m.
LOCATION: CalPERS – Feckner Auditorium, Lincoln Plaza North, 400 P Street, Sacramento, CA 95811

TELECONFERENCE ACCESS:

By Computer (Open the Zoom* App, or navigate to www.zoom.com):
Enter Meeting ID: 870 7129 2065
Direct Link: https://us02web.zoom.us/j/87071292065

By Phone: 1 (669) 900-6833
Enter Meeting ID: 870 7129 2065

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

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

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

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

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

For further information about this notice or its contents:

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

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 May 1, 2025, meeting of the Council.

3. Executive Report: CEA Chief Executive Officer Tom Welsh and other executive staff will provide the Council with a report and facilitate Council discussions on the following topics:
    A. Legislative Matters – Wildfire Fund Durability Initiative; Communications with the Legislature; and pending legislation with potential direct impact on the Wildfire Fund.
    B. Claims from Covered Wildfires – Dixie & Kincade Fires
    C. Financial Report – Wildfire Fund Financials as of June 30, 2025
    D. Enterprise Risk Management

4. Perspectives on Eaton Fire Loss Estimates: Representatives from Moody's and Milliman will provide perspectives on estimated losses from the January 2025 Eaton Fire.

5. Subrogation Claims Discussion: Mr. Welsh and other executive staff will facilitate a discussion of AB 1054's subrogation claim settlement provisions.

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

7. Administrator Evaluation: Council Member Tracy Van Houten will give an overview of the process used for the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2024. Mr. Welsh will present the comments received from the Council on CEA's performance.

8. Claims Administration Procedures: Chief Insurance & Claims Officer George Sittner will facilitate a discussion on conceptual amendments to the *Procedures* to establish the Administrator's view on reasonable business judgment for Direct Payments for Community Recovery Programs.

9. Public Comment: Public comment on matters within the California Catastrophe Response Council's subject matter jurisdiction that do not appear on this Agenda. Please note that while the Council may hear general public comments on matters within its subject matter jurisdiction, Council members may not otherwise deliberate, including providing substantive comments in response to, any matter not specified on this Agenda.

10. Adjournment.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of May 1, 2025 Meeting

Attached are draft minutes of the California Catastrophe Response Council (Council) meeting held on May 1, 2025. CEA staff reviewed these minutes and determined that they accurately summarize and document the matters discussed and actions taken by the Council at this meeting.

CEA staff recommends approval and adoption of the draft minutes as the official record of the Council's May 1, 2025 meeting.

CALIFORNIA CATASTROPHE RESPONSE COUNCIL
MEETING MINUTES

Date: Thursday, May 1, 2025

Time: 1:00 PM

Location: 400 Capitol Mall, Suite 670, Sacramento, CA 95814 & via Zoom/Teleconference (Meeting ID 878 7139 5224)

1. Quorum: Call to order and member roll call

Vice Chair Paul Rosenstiel called the meeting to order at 1:03 PM.

Susan Johnson (CEA Governance Liaison) conducted roll call and confirmed quorum.

Roll Call

Council Member	Attendance
Mark Ghilarducci, Chair, designee of Governor Gavin Newsom	Remotely via Zoom beginning at 0:22:00 mark
Paul Rosenstiel, Vice Chair, Public Member	In Person
Michael Martinez, designee of Insurance Commissioner Ricardo Lara	In Person
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot	In Person
Tracy Van Houten, appointee of the Speaker of the Assembly	In Person
Kathleen Ritzman, appointee of the Senate Committee on Rules	Remotely via Zoom
Rhoda Rossman, Public Member	In Person

Council Members Absent: Khaim Morton (designee of State Treasurer Fiona Ma), Catherine Barna (Public Member)

CEA Staff Present: Tom Welsh (Chief Executive Officer), Shawna Ackerman (Chief Risk and Actuarial Officer), Tom Hanzel (Chief Financial Officer), Susie Hernandez (Legislative Director), Suman Tatapudy (General Counsel), Susan Johnson (Governance Liaison)

Public Attendees: Members of the public attended in person, and via Zoom/Teleconference.

2. Minutes: **Review and approve the minutes of the February 13, 2025, meeting of the Council.**

The draft minutes from the February 13, 2025 meeting were reviewed.

Motion: Ms. Van Houten moved to approve the minutes; Ms. Rossman seconded.

No public comment was received.

Outcome: Motion passed by roll call vote.

3. Administrator's Report & Council Discussion: **CEA Staff will facilitate a discussion with Council Members and Stakeholders on the following topics:**

A. Eaton Fire Update

1. Ongoing investigation of cause – Timing unknown

- Cause remains under investigation by the Los Angeles County Fire Department.
- Under AB 1054 (the legislation that created the Wildfire Fund) there are two triggers for a fire to become a "covered wildfire" for purposes of the Wildfire Fund: (1) the governmental entity charged with investigating the cause of a wildfire determines if a participating utility company's infrastructure, equipment, or operations were involved in the ignition; or (2) the settlement of litigation against a participating utility company that was asserted to have caused the wildfire, results in a court-approved dismissal of the case. These are independent triggers, and the second trigger could happen before the official investigation into the cause of the wildfire concludes.
- Ongoing litigation noted against Southern California Edison (SCE). As of the date of this meeting, none of these lawsuits have resulted in settlements.

2. Investor solicitations to insurance industry to buy Eaton-related subrogation claims

- Hedge funds buying insurance subrogation rights could negatively affect Fund durability.

Motion: Mr. Rosenstiel moved to direct Administrator staff to prepare a letter, in collaboration with the Council, consistent with the comments of council members during the meeting, reflecting the Council's sentiment that they want to make sure most of the Fund is going directly to wildfire recovery efforts and not to third-party actors. Ms. Rossman seconded.

No public comment was received.

Outcome: Motion passed unanimously by roll call vote.

B. Administrator Enhancements and Updates

1. Liquidity Management – Increase liquidity of claim-paying capacity resources through realizing investment gains

- Fund's current investment portfolio has over $13 billion of assets.

- Sold $4 billion of securities focused on maturity of two years and greater that had an unrealized gain position or had a nominal unrealized loss position that could be offset; $15 million net investment gain realized.
- Fund has over $8 billion of securities sitting within two years, a vast majority of it obtained in six months.

2. **Claims Procedures – Potential amendments to Claims Administration Procedures to address the evaluation and prioritization of investor-owned subrogation claims and structures for pre-approved "Direct Payments for Community Recovery Programs" following the occurrence of covered wildfires**
    - Overview of proposed amendments to: (1) implement lessons learned from CEA's experience reviewing eligible claims from the Dixie Fire; (2) better protect the Fund's durability to protect against investor-driven subrogation; (3) enhance community payments.
    - <u>Public Comment</u>: Kelly Smith attended in-person. Ms. Smith's full public comment is attached to these minutes.

3. **Wildfire Fund Durability Initiative – Evaluating alternatives for extending Fund durability**
    - The Administrator has a statutory duty to maximize the claim payment capacity of the Fund (PUC §3281).
    - Administrator has re-engaged the consulting team of the subject matter experts who assisted in the creation of AB 1054 to aid in policy discussions with the Governor's Office, the Legislature, and Stakeholders. This Initiative is anticipated to continue through the 2025 Session of the Legislature.

C. State Legislative Report

- Overview of the 2025-26 California State Legislative Session.
- Administrator staff are tracking a number of bills introduced related to wildfire. As of the date of this meeting, there are no bills in their current form proposing specific amendments to the statutes governing the Fund.

4. **<u>2025 Budget Augmentation</u>: CEA Chief Financial Officer Tom Hanzel will present an update to the Wildfire Fund 2025 budget and approval of augmentations to the budget to support the Wildfire Fund Durability Initiatives.**

Presentation of the proposed $39,298,193 budget augmentation to the 2025 Wildfire Fund budget.

Key Items:

- $90 million reserve for the Kincade Fire.
- Additional $4.5 million for the durability initiatives.
- $80k for legal expenses.

Motion: Ms. Van Houten moved to approve the staff recommendation; Mr. Martinez seconded.

No public comment was received.

Outcome: Motion passed unanimously by roll call vote.

5. **<u>Claims Administration Update</u>: CEA Chief Insurance and Claims Officer George Sittner will provide an update on Claims Administration for PG&E's two covered wildfires that have resulted in eligible claims, Dixie (2021) and Kincade (2019).**

Ms. Tatapudy and Mr. Welsh provided the update in Mr. Sittner's absence.

Key Items:

- Mosquito Fire (undergoing investigation) – PG&E estimates losses in excess of $100 million as of March 31, 2025.
- Dixie Fire – PG&E estimates losses in excess of $1.925 billion and recorded an aggregate Fund receivable of $925 million for probable recoveries as of March 31, 2025.
  - June – December 2024 reimbursements totaled $349,904,107.
- Kincade Fire – PG&E estimates losses in excess of $1.275 billion as of March 31, 2025.
  - Administrator currently anticipates about $110 million from the Fund after applying the statutory 40% limitation for fires that ignited when a participating utility was the subject to an insolvency proceeding.
- Eaton Fire (under investigation) – fire originated in SCE's servicing territory.
- Administrator staff are working on a wind-up plan for the eventual exhaustion of the Fund. That plan will be shared with the Council at a future meeting.

6. **<u>Financial Report</u>: Mr. Hanzel will provide the Council with a financial report on the Wildfire Fund as of March 31, 2025.**

Mr. Hanzel presented financials as of March 31, 2025:

- Balance Sheets:
  - Total assets increased YoY by approximately $1.5 billion, or 13.0%.
  - Total deduction to Fund assets driven by losses: $415 million related to the change in losses YoY.
  - Fund's Total Net Position as of March 31, 2025: $13 billion
- Statements of Revenues, Expenses, and Changes in Net Position:
  - $515 million of additions to Fund assets, $200 million related to non-bypassable charges (NBCs).
  - ~$140 million of loss payments during the first quarter
- Contributions and NBCs Received:
  - $207 million of NBC funds received in the first 3 months of 2025.
  - NBC funds received are net of the DWR administrative and operating expenses (A&O). For the first two months of fiscal year 2025, the DWR incurred $553k of A&O expenses and retained $1.7 million of funds int eh DWR Charge Fund to pay future A&O expenses.
- Investment Analysis:

- Total portfolio market value for March 2025 was $13.21 billion with an average duration of 2.07 years and average credit ratings of "AA."
- Increased investment in US Treasury and Agency and decrease in investments in Corporations but the portfolio is still spread across the board.
- Since last year, Duration was brought down from 3.4 years to 2.1 today, which is anticipated to get brought down further.

7. Public Comment: Public comment on matters within the California Catastrophe Response Council's subject matter jurisdiction that do not appear on this Agenda. Please note that while the Council may hear general public comments on matters within its subject matter jurisdiction, Council members may not otherwise deliberate, including providing substantive comments in response to, any matter not specified on this Agenda.

The Vice Chair opened the floor for public comment.

No additional comments were received.

8. Adjournment.

The meeting was adjourned at 2:56 PM.

CALIFORNIA EARTHQUAKE AUTHORITY

WILDFIRE FUND ADMINISTRATOR

PUBLIC MEETING OF THE
CALIFORNIA CATASTROPHE RESPONSE COUNCIL

PARTIAL TRANSCRIPT -

PUBLIC COMMENT RECEIVED DURING THE MEETING

HOSTED BY THE CALIFORNIA EARTHQUAKE AUTHORITY

400 CAPITOL MALL

SUITE 670

SACRAMENTO, CALIFORNIA

THURSDAY, MAY 1, 2025

1:00 P.M.

Recorded by: Rebecca Hudson

APPEARANCES

California Catastrophe Response Council Members:

*Mark Ghilarducci, Chair, designee of Governor Gavin Newsom

Michael Martinez, designee of Insurance Commissioner Ricardo Lara

Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot

Tracy Van Houten, appointee of the Speaker of the Assembly

*Kathleen Ritzman, appointee of the Senate Committee on Rules

Paul Rosenstiel, Vice Chair, Public Member

Rhoda Rossman, Public Member

*Participated remotely

Members of the CEA staff in attendance:

Tom Welsh, Chief Executive Officer

Shawna Ackerman, Chief Risk and Actuarial Officer

Tom Hanzel, Chief Financial Officer

Susie Hernandez, Legislative Director

George Sittner, Chief Insurance and Claims Officer

Suman Tatapudy, General Counsel

Susan Johnson, Governance Liaison

Members of the Public Offering Comment

Kelly Smith

PROCEEDINGS

3:31 p.m.

3.B.2. Claims Procedures - Potential amendments to Claims Administration Procedures to address the evaluation and prioritization of investor-owned subrogation claims and structures for pre-approved "Direct Payments for Community Recovery Programs" following the occurrence of covered wildfires

MS. SMITH: Hi, Kelly Smith. Paul and I worked together on AB 1054. I staffed it for Assembly Member Chris Holden some years ago.

I am now here today on behalf of the L.A. Fire Justice and the victims of the Eaton Fire.

And a lot of the discussion here had a whole lot of focus on insurance and prioritizing based on business needs. But we have a lot of folks down there who have no insurance, or don't have enough insurance. And so some of the comments you've made about focusing and pushing the utilities to pursue reimbursements in a certain priority are very concerning. And I would ask that if we could get a copy of that. One of the downsides about not being at a meeting -- on Zoom is that I couldn't quickly screenshot that language. So we would like to see it and hopefully we can participate in socialization of that too.

We do have a very large community outreach. We are helping people with their claims, et cetera. Based with -- our office is based in Pasadena and want to be sure that we are a part of this discussion going forward. Thank you.

(The meeting continued but was not transcribed.)

(The meeting was adjourned at 2:56 p.m.)

--o0o--

.

CERTIFICATE OF REPORTER

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

I further certify that I am not counsel or attorney for any of the parties in this matter, or in any way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of May, 2025.

Rebecca Hudson

REBECCA HUDSON

CERTIFICATE OF TRANSCRIBER

I, RAMONA COTA, a Certified Electronic Reporter and Transcriber, certify that the foregoing is a correct transcript, to the best of my ability, from the electronic recording of the proceedings in the above-entitled matter.

Ramona Cota ____________ May 7, 2025 ____________

.

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 3: Executive Report

Recommended Action: Information Only

CEA Chief Executive Officer Tom Welsh and other senior staff will provide the Council with updates and facilitate Council discussions on the following topics:

A. Legislative Matters – Wildfire Fund Durability Initiative; Communications with the Legislature; and pending legislation with potential direct impact on the Wildfire Fund.
B. Claims from Covered Wildfires – Dixie & Kincade Fires
C. Financial Report – Wildfire Fund Financials as of June 30, 2025
D. Enterprise Risk Management

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 3.A: Legislative Matters

Recommended Action: Discussion Item

As part of the Executive Report, the CEA staff will provide updates and facilitate a Council discussion on legislative matters related to the administration of the Wildfire Fund and the Council's oversight and public policy activities.

A. Wildfire Fund Durability Initiative

At its meeting on May 1, 2025, the Council approved an augmentation of the Wildfire Fund administration budget to support the engagement of advisors and consultants to facilitate work with the Legislature, State leaders, and stakeholders on concepts to strengthen the durability of the Fund. This initiative was particularly important and timely given the potential for the January 2025 Southern California wildfires to generate claims on the Fund. At the meeting, Administrator staff will update the Council on this initiative.

B. Communications with the Legislature

Also at the May 1 Council Meeting, the Council expressed an interest in communicating with the Legislature about issues that could materially impact the durability of the Fund, particularly the emerging risk that profit-motivated hedge funds and similar investors are actively positioning themselves to draw Fund assets away from catastrophe recovery by acquiring insurance industry subrogation rights and thereafter seeking outsized settlements from a participating investor-owned utility company. The Administrator's staff has worked on developing messaging to the Legislature that conveys the Council's views on the importance of this topic, and the need to prioritize the deployment of California-based assets in the Wildfire Fund to California's catastrophe recovery needs.

Media attention on the Council's discussion during the May 1 meeting generated articles that have been broadly circulated within the Legislature. Examples are attached, including articles published by Bloomberg and the LA Times. During this meeting, the

Council has the opportunity to discuss how best to continue communications with the Legislature the viewpoints of the Council on Wildfire Fund durability and effectiveness. As noted above, there is a strong prospect for legislation to be introduced to address these issues and the durability of the Wildfire Fund. If or when that happens, the Council will have the opportunity to weigh in on specific legislation and to actively support bills that further the health and effectiveness of the Wildfire Fund into the future.

C. Pending Legislation

In addition to the general wildfire-related legislation that the Administrator has been tracking (See Attachment A – Bill Tracking Chart), there are now two bills in the Legislature – SB 330 (Padilla) and AB 825 (Petrie-Norris) – that contain language that directly implicates the Wildfire Fund. The impacts to the Fund are essentially identical in both of these bills. In the summaries below, the components of the bills that directly implicate the Wildfire Fund are noted in *italics*.

1. SB 330 (Padilla) – Electrical transmission infrastructure: financing
https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB330

SB 330 authorizes the Governor to establish pilot projects to develop, finance, or operate electrical transmission infrastructure that meets specified requirements. Specific to the Wildfire Fund, this bill:

1) Grants the Governor the authority to select one or more transmission projects to develop, finance, or operate transmission infrastructure that meets specified criteria. These include, among other things, that the project is identified by CAISO in its transmission planning process as subject to competitive bidding, and is necessary to meet California's clean energy goals, provides a significant cost reduction to ratepayers compared to alternatives, and complies with CPUC General Order 95.

2) Requires the Governor to designate existing state agencies, local public agencies, tribal organizations, or joint powers authorities to implement the pilot projects.

3) Requires the owner of a pilot project designated by the Governor to participate in the Wildfire Fund.

4) Authorizes the pilot project owner who participates in the Wildfire Fund to seek payment for an eligible claim resulting from a covered wildfire as defined and consistent with relevant requirements applicable to IOUs and subject to requirements that include:

a. The Wildfire Fund Administrator shall determine the timing and amount of contributions required from the pilot project owner.

b. The pilot project owner shall maintain reasonable insurance coverage as required by the Wildfire Fund Administrator.

c. The pilot project owner shall submit regular wildfire mitigation plans to the Office of Energy Infrastructure Safety and comply with all directives issued by the office to achieve maximum feasible risk reduction.

d. The costs of participating in the Wildfire Fund and complying with wildfire mitigation plan requirements may be recovered in a transmission revenue requirement filed with the Federal Energy Regulatory Commission.

Status as of July 10, 2025:

This bill is scheduled to be heard in the Senate Business, Professions, and Economic Development Committee on July 14, 2025.

2. AB 825 (Petrie-Norris) – Energy: electricity
https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202520260AB825

AB 825 proposes a range of policies affecting electrical corporations. Specific to the Wildfire Fund, this bill:

1) Establishes the Public Transmission Financing Fund (Fund) within the State Treasury to finance critical transmission projects as well as the Public Transmission Financing Program (Program), administered by I-Bank to support the financing of public partnerships of transmission projects.
2) Provides that the Program and the Fund would be available to a range of public sponsors including state agencies, local public agencies, tribal organizations or joint powers authorities.

3) Requires eligible entities of the Program – called "participating parties" – to either apply for financing from I-Bank in conjunction with a governmental sponsor or be itself a public owner of any portion of a new transmission project – called "public transmission sponsors". *Public transmission sponsors* may include state agencies (including the Department of Water Resources), the California Consumer Power and Conservation Financing Authority (CPA), local public agencies, tribal organizations, or joint powers authorities.

4) *Requires a public transmission sponsor that participates in the Program to participate in the Wildfire Fund. Participation in the Wildfire Fund by the public transmission sponsor shall be limited to the eligible transmission project receiving benefits from the program.*

5) *Authorizes a public transmission sponsor who participates in the Wildfire Fund to seek payment for an eligible claim resulting from a covered wildfire as defined and consistent with relevant requirements applicable to IOUs and subject to requirements that include:*

    a. The Wildfire Fund Administrator shall determine the timing and amount of contributions required from a public transmission sponsor.

    b. A public transmission sponsor shall maintain reasonable insurance coverage as required by the Wildfire Fund Administrator.

    c. A public transmission sponsor shall submit regular wildfire mitigation plans to the Office of Energy Infrastructure Safety and comply with all directives issued by the office to achieve maximum feasible risk reduction.

    d. The costs of participating in the Wildfire Fund and complying with wildfire mitigation plan requirements may be recovered in a transmission revenue requirement filed with the Federal Energy Regulatory Commission.

Status as of July 10, 2025:

This bill is scheduled to be heard in the Assembly Utilities & Energy Committee on July 16, 2025.

The Administrator will continue to closely monitor these bills and provide any additional information we have at the Council meeting.

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
DIRECT IMPACT TO THE WILDFIRE FUND					
AB 825	Petrie-Norris	6/2/2025	Energy: electricity	This bill would require a public transmission sponsor of a transmission project that receives benefits from the Public Transmission Financing Program to participate in the Wildfire Fund.	Senate Business, Profession, and Economic Development
SB 330	Padilla	6/30/2025	Electrical transmission infrastructure: financing	This bill would require the owner of a pilot project designated by the Governor pursuant to the above-described provisions to participate in the Wildfire Fund. The bill would authorize a pilot project owner who participates in the Wildfire Fund to seek payment for an eligible claim that results from a covered wildfire, consistent with the relevant requirements applicable to electrical corporations and subject to specific requirements, including, among other things, that the Wildfire Fund Administrator determines the timing and amounts of contributions by the pilot project owner to the Wildfire Fund. The bill would require the Office of Energy Infrastructure Safety to review and approve wildfire mitigation plans relating to pilot projects, as provided, and to oversee wildfire safety performance by pilot project owners.	Assembly Utilities and Energy
WILDFIRE					
AB 238	Harabedian and Irwin	6/26/2025	Mortgage Forbearance: State of Emergency: Wildfire	This bill requires a mortgage servicer to provide mortgage forbearance to certain borrowers affected by the January 2025 Los Angeles-area wildfire disaster.	Senate Appropriations
AB 252	Bains	3/24/2025	Wilfire Protection: Department of Forestry and Fire Protection	Requires the California Department of Forestry and Fire Protection (CAL FIRE) to maintain no less than full staffing levels throughout the calendar year and meet specified staffing requirements.	Assembly Appropriations Held under submission

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
AB 261	Quirk-Silva	3/26/2025	Fire safety: fire hazard severity zones: State Fire Marshal.	The bill aims to improve fire safety in California by enhancing the process of classifying fire hazard severity zones. The state fire marshal will be authorized to confer with various entities, including public agencies, tribes, and nonprofit organizations, on actions that may impact fire hazard in an area.	Senate Natural Resources and Water
AB 270	Petrie-Norris	5/3/2025	Office of Emergency Services: autonomous firefighting activities.	Requires the Department of Forestry and Fire Protection (CAL FIRE) to establish a pilot project to provide a testbed firefighting helicopter equipped with autonomous aerial suppression technology and the necessary activities, as specified, to make the helicopter operational.	Assembly Appropriations Held under submission
AB 275	Petrie-Norris	4/23/2025	Office of Emergency Services: Wildfire Aerial Response	This bill would require the Office of Emergency Services, in consultation with the Department of Forestry and Fire Protection, to establish a working group to evaluate and develop recommendations for implementing a wildfire aerial response program to provide year-round, 24 hours per day, 7 days per week, rapid aerial suppression capabilities.	Assembly
AB 300	Lackey	5/3/2025	Fire Hazard Severity Zones: State Fire Marshall	This bill would require the State Fire Marshal to review areas in the state identified as moderate, high, and very high fire hazard severity zones, and to review lands within state responsibility areas classified as fire hazard severity zones. The bill would also require the State Fire Marshal to re-review areas within the state that are not identified as moderate, high, and very high fire hazard severity zones, and to re-review lands within state responsibility areas that are not classified as fire hazard severity zones, and, if applicable, identify or classify those areas.	Senate Natural Resources and Water

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS_ AS OF 7/10/2025
AB 376	Tangipa	4/21/2024	Personal Income Tax Law: Corporation Tax Law: wildfires: exclusions.	This bill would, for taxable years beginning on or after January 1, 2023, and before January 1, 2028, provide an exclusion from gross income for a qualified taxpayer, as defined, for amounts received for costs and losses associated with wildfires, as provided.	Assembly Rev & Tax - suspense
AB 389	Wallis	4/7/2025	Personal Income Tax: tax credits: fire-resistant home improvements.	Allows a credit under the Personal Income Tax Law for specified home hardening measures.	Assembly Rev & Tax Held under submission
AB 404	Sanchez	2/4/2025	California Environmental Quality Act: exemption: prescribed fire, reforestation, habitat restoration, thinning, or fuel reduction projects.	This bill eliminates the January 1, 2028, sunset date on a California Environmental Quality Act (CEQA) exemption for forest projects on federal lands.	Assembly Natural Resoures
AB 429	Hadwick	5/8/2025	Personal Income Tax Law: Corporation Tax Law: exclusions: wildfires.	Excludes from gross income amounts received by a "qualified taxpayer" as settlement payments related to certain fires.	Assembly Rev & Tax
AB 441	Hadwick	5/23/2025	Wildfire prevention: Office of Wildfire Technology Research and Development: wildfire mitigation program.	This bill extends the sunset date for the Office of Wildfire Technology Research and Development and removes the sunset date for the California Wildfire Mitigation Financial Assistance Program	Senate Natural Resources and Water
AB 623	Dixon	4/21/2025	Fire prevention projects: California Environmental Quality Act: coastal development permits: exemptions.	This bill would exempt certain fuel modification and reduction projects from environmental impact report requirements under the California Environmental Quality Act.	Assembly Natural Resources
AB 706	Aguiar-Curry	5/23/2025	Forest Organic Residue, Energy, and Safety Transformation and Wildfire Prevention Fund Act.	Establishes the Organic Residue, Energy, and Safety Transformation and Wildfire Prevention Fund Act, or the FOREST and Wildfire Prevention Fund Act.	Senate Natural Resources and Water

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
AB 758	DeMaio	4/18/2025	Wildfire: vegetation management.	The bill aims to improve wildfire management by requiring the state or local governments to assess and manage undeveloped public lands for severe fire hazards.	Failed passage
AB 888	Calderon	5/29/2025	California Safe Homes grant program.	Creates the California Safe Homes grant program within the California Department of Insurance	Senate Insurance
AB 1143	Bennett	4/23/2025	State Fire Marshal: home hardening certification program.	This bill would require the State Fire Marshal's Wildfire Mitigation Advisory Committee to develop a home hardening certification program that identifies home hardening measures.	Senate Natural Resouces and Water
AB 1227	Ellis and Gallagher	6/19/2025	Wildfire safety: fuels reduction projects	Exempts certain wildfire prevention projects from the California Environmental Quality Act until January 1, 2028, and requires the California Natural Resources Agency and the California Environmental Protection Agency to report to the Legislature on a related emergency proclamation issued by the Governor.	Senate Natural Resouces and Water
AB 1455	Bryan	6/25/2025	State Board of Forestry and Fire Protection: ember-resistant zones: emergency regulations.	The bill aims to improve fire prevention by requiring the state board of forestry and fire protection to adopt regulations for ember-resistant zones. These zones must be created within 5 feet of a structure in areas with high fire hazard severity zones. The regulations will eliminate materials that can be ignited by embers, ensuring a safer environment. The regulations will be adopted as emergency regulations and will remain in effect until revised. The bill also clarifies the scope of existing defensible space requirements and provides that no reimbursement is required for the state's implementation of this new regulation.	Senate Natural Resouces and Water

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
AB 1457	Bryan	5/23/2025	Wildfires: training programs: defensible space: inspections.	Requires the Department of Forestry and Fire Protection's defensible space and home hardening training program to additionally provide training consistent with the "Home Ignition Zone/Defensible Space Inspector" course plan, established by the State Fire Marshal (SFM), in order to ensure that individuals are trained to conduct home ignition zone inspections.	Senate Natural Resources and Water
AB 1531	EM Committee	3/26/2025	Office of Emergency Services: comprehensive wildfire mitigation program.	Amends the government code to enhance fire safety in California. It requires the addition of the Department of Insurance to the California wildfire mitigation program board by July 1, 2026.	Senate Natural Resources and Water
SB 256	Perez	6/16/2025	Electricity: electrical infrastructure: wildfire mitigation.	The bill aims to improve wildfire mitigation in the state's electrical infrastructure. It requires electrical corporations to remove permanently abandoned facilities within a certain timeframe. The bill also requires electrical corporations to consider areas adjacent to high fire threat zones and to include certain details in their wildfire mitigation plans, such as communication coordination with local governments and the use of undergrounding distribution infrastructure. Additionally, the bill requires local publicly owned electric utilities to consider risks related to the wildland-urban interface and to establish procedures for coordinating efforts with emergency response agencies. The bill also prohibits large electrical corporations from including certain expenses in their equity rate base.	Assembly Utilities and Energy

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
SB 326	Becker/Laird	7/1/2025	Wildfire safety: fire protection building standards: defensible space requirements: The California Wildfire Mitigation Strategic Planning Act.	This bill aims to enhance wildfire safety in California by implementing various measures to reduce the risk of wildfires. It requires the state fire marshal to prepare a wildfire risk mitigation planning framework, which will be used to evaluate and compare wildfire risk mitigation actions, and to submit the framework to the legislature and other agencies for review and consideration. The bill also mandates the preparation of a wildfire risk baseline and forecast, which will provide geographic specificity for evaluating targeted wildfire risk mitigation actions. Additionally, it requires the state fire marshal to prepare a wildfire mitigation scenarios report, which will contain information on a reasonable range of possible scenarios for overall wildfire risk mitigation spending. The bill moves up the effective date of the ember-resistant zone requirement for certain existing structures in the state responsibility area, and authorizes funding for programs to facilitate early implementation of the ember-resistant zone rules. It also authorizes funding for risk-targeted wildfire prevention work within local governments' jurisdictions, including the use of a wildfire risk mitigation	Assembly Natural Resources
SB 429	Cortese	7/2/025	Wildfire Safety and Risk Mitigation Program	This bill establishes a wildfire safety and risk mitigation program to fund the development, demonstration, and deployment of a public wildfire catastrophe model.	Assembly Insurance

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
SB 514	Cabaldon	6/25/2025	Wildfire prevention: assessment: accreditation.	Eliminates the sunset date on the statewide program to allow qualified entities to support and augment CAL FIRE in its defensible space and home hardening assessment; adds nonprofit entities focused on wildfire resiliency and contractors who conduct specified wildfire resiliency activities to the list of qualified entities; and, authorizes qualified entities to additionally assess compliance with defensible space requirements applicable to local responsibility areas (LRA).	Assembly Natural Resources
SB 616	Rubio, Cortese, and Stern	2/20/2025	Community Hardening Commission: wildfire mitigation program	This bill establishes the Community Hardening Commission as an independent unit within the California Department of Insurance to, among other things, develop new wildfire community hardening.	Assembly Emergency Management
SB 629	Durazo	7/3/2025	Wildfires: fire hazard severity zones: defensible space, vegetation management, and fuel modification enforcement.	This bill aims to improve wildfire prevention and preparedness in California by enhancing the state's fire hazard severity zones.	Assembly Natural Resources
SB 653	Cortese	6/25/2025	Wildfire prevention: environmentally sensitive vegetation management.	Requires, for a grant program that funds an environmentally sensitive vegetation management project, a state public entity to consider incorporating into its funding guidelines specified criteria related to environmentally sensitive vegetation management.	Assembly Appropriations
SB 662	Alvarado-Gil	2/20/2025	Wildfires: defensible space: education efforts.	This bill would extend for five years the sunsets on the Department of Forestry and Fire Protection’s statewide program to support its defensible space inspection and home hardening assessment and education efforts, including its training pilot program for volunteers to January 1, 2031.	Senate Appropriations held under submission

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
SB 663	Allen, McNerney, and Perez	6/30/2025	Winter Fires of 2025: real property tax: exemptions and reassessment.	This bill makes three changes to property tax law related to the Los Angeles County Fires in January 2025.	Assembly Rev & Tax
SB 678	Niello	2/21/2025	Fire prevention activities: challenges: undertaking.	This bill provides a mechanism for a defendant in a civil action, including under the California Environmental Quality Act (CEQA), challenging a project that engages in fire prevention activities, as defined, to seek an order requiring the plaintiff to furnish an undertaking as security for costs and damages that may be incurred by the defendant if the bringing of the action by the plaintiff would result in preventing or delaying the project.	Senate Appropriations held under submission
INVESTOR OWNED UTILITIES /PUBLIC UTILITIES COMMISSION					
AB 99	Ta	3/28/2025	Electrical corporations: rates	Prohibits investor-owned utilities (IOUs) from proposing a consumer rate increase above the rate of inflation unless approved by a majority of customers through election, or if the California Public Utilities Commission deems the increase is directly related to safety enhancements, modernization, or higher commodity or fuel costs.	Assemby Appropriations held under submission
AB 286	Gallagher	4/21/2025	Electricity: Mandatory Rate Reduction	The bill aims to generate a report outlining recommendations to decrease the kilowatt-per-hour rate for electricity charged to ratepayers by at least 30% by January 1, 2027.	Assemby Appropriations held under submission
AB 745	Irwin	5/30/2025	Electricity: climate credits	Requires the California Climate Credit for electric customers to be applied to residential bills in July, August, and September each year, unless otherwise directed by the California Public Utilities Commission (CPUC) as specified. Additionally, the bill restructures the residential electric credit to be volumetric, rather than independent of consumption.	Senate Energy, Utilities amd Communications

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
AB 884	Essayli	2/19/2025	Campaign contributions: investor-owned utilities.	This bill aims to regulate campaign financing by prohibiting investor-owned utilities from making contributions to candidates for elective state office and vice versa.	Assembly Elections
AB 941	Zbur	4/23/2025	California Environmental Quality Act: electrical infrastructure projects	Requires the California Public Utilities Commission to expedite the environmental review process for an electrical infrastructure project designated as a “priority project”.	Assemby Appropriations held under submission
AB 1017	Boerner	4/3/2025	Energy: electrical and gas corporations: general rate case	This bill requires electrical and gas corporations to provide certain information to the Public Utilities Commission as part of their general rate case.	Senate Appropriations
AB 1020	Schiavo	6/24/2025	Public utilities: energy: taxpayer funding: reporting.	This bill requires investor-owned electrical and gas corporations to report certain information related to taxpayer funding they have applied for or received.	Senate Energy, Utilities amd Communications
AB 1228	Essayli	2/21/2025	Electricity: expedited utility distribution infrastructure undergrounding program.	This bill aims to expedite the undergrounding of utility distribution infrastructure for large electrical corporations.	Assembly Utilities and Energy
AB 1410	Garcia	7/3/2025	Public utilities: service outages and updates: alerts.	This bill would require public utilities to automatically enroll customers in alerts for service outages and updates. Customers would have the opportunity to opt-out of any alerts they do not wish to receive, except for emergency alerts.	Senate Appropriations
AB 1455	Bryan	3/24/2025	California Environmental Quality Act: certified regulatory program: State Board of Forestry and Fire Protection: ember-resistant zone.	Requires the State Board of Forestry and Fire Protection to adopt emergency regulations to implement defensible space requirements.	Senate Natural Resources

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
SB 57	Padilla	6/30/2025	Electrical corporations: tariffs.	This bill requires the California Public Utilities Commission to establish a specified tariff for data centers by July 1, 2026. This bill also requires certain utilities to procure 100% of the electricity delivered to data centers from zero-carbon resources by 2030.	Assembly Utilities and Energy
SB 254	Becker	5/28/2025	Electricity: wildfire mitigation: rate assistance: Policy-Oriented and Wildfire Electric Reimbursement (POWER) Program.	The bill aims to improve the Family Electric Rate Assistance (FERA) program in California. The program provides assistance to low-income households with total annual gross income levels between 200% and 250% of the federal poverty guideline level.	Assembly Utilities and Energy
SB 256	Perez	6/16/2025	Electricity: electrical infrastructure: wildfire mitigation	The bill aims to improve wildfire mitigation and emergency response in the state's electrical infrastructure. It requires electrical corporations, cooperatives, and local utilities to include consideration of low-risk areas in their wildfire mitigation plans and to conduct annual preparedness workshops with local fire departments.	Assembly Utilities and Energy
SB 292	Cervantes	5/5/2025	Electricity: wildfire mitigation: deenergization events and reliability	This bill requires specified data reporting by electrical corporations and local publicly owned utilities concerning annual electric reliability reports. This bill also requires the California Public Utilities Commission (CPUC) to consider new reporting requirements of electrical corporations within the annual reliability reports and the post-deenergization event reports.	Assembly Utilities and Energy

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	**AUTHOR**	**LATEST AMEND**	**SUBJECT**	**SUMMARY**	**STATUS_ AS OF 7/10/2025**
SB 332	Wahab	6/30/2025	Investor-Owned Utilities Accountability Act.	This bill aims to improve energy policies in California by requiring the state energy resources conservation and development commission to issue a study on transitioning investor-owned utilities to a successor entity.	Assembly Utilities and Energy
SB 559	Stern	4/2/2025	Electricity: deenergization events: communications.	This bill requires electrical corporations to prepare and submit wildfire mitigation plans that include protocols for deenergizing portions of their electrical distribution system to minimize public safety impacts.	Senate Appropriations Held under submission
SB 618	Reyes	5/1/2025	Electricity: deenergization events: reimbursement credit.	The bill requires each electrical corporation to automatically provide a reimbursement credit to customers affected by a deenergization event.	Senate Appropriations Held under submission
SB 797	Choi	5/6/2025	California Environmental Quality Act: exemption: electric utility distribution and transmission system facilities: undergrounding and insulation.	This bill creates an exemption from the California Environmental Quality Act to underground or insulate overhead electricity utility distribution and transmission facilities before July 1, 2025, and tasks the Public Utilities Commission to form a working group and develop a plan, by July 1, 2027, to invest in undergrounding and insulating power lines.	Senate Appropriations Held under submission
SB 836	Rubio	2/21/2025	Electricity: transmission planning and permitting.	This bill requires the state's energy agencies and the state's largest electric grid operator to update and review their shared memorandum of understanding regarding transmission planning every three years, instead of every five years.	Senate Appropriations Held under submission

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 3.B:	Claims from Covered Wildfires (Dixie & Kincade Fires)
Recommended Action:	Information Only

Background

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

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

Wildfire Monitoring and Notification

The Administrator continues to monitor and report to the Council on active wildfires as well as the status of potentially Covered Wildfires in the 2019 through 2025 coverage years. In particular, the Administrator is tracking the reported losses for three major fires—the October 2019 Kincade Fire, July 2021 Dixie Fire, and September 2022 Mosquito Fire. PG&E's 10-Q report to the SEC for the quarterly period ending March 31, 2025 reports aggregate liabilities of $1.275 billion, $1.925 billion and $100 million for the 2019 Kincade Fire, 2021 Dixie Fire and 2022 Mosquito Fire, respectively. Of these, PG&E has recorded a potential recovery of $925 million from the Fund for the 2021

Dixie Fire. There are no known new fires that would impact the fund for calendar year 2023, or calendar year 2024.

On January 16, 2025, PG&E notified CEA that the utility has paid more than $750M in the aggregate for third-party claims resulting from the 2019 Kincade Fire that burned in Sonoma County, California. This notification satisfies the reporting requirement outlined by the *Procedures*. PG&E's 10-Q report to the SEC for the quarterly period ending March 31, 2025 reports aggregate payments made for the Kincade Fire in the amount of $1.066 billion. 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. PG&E has reported accrued losses for the Kincade fire of $1.275 billion.

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 Southern California Edison (SCE), a participating electrical corporation of the Fund. According to the California Department of Forestry and Fire Protection, 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 and will keep the Council informed of any updates.

Electrical utilities are required to report to the California Public Utilities Commission incidents that meet one of the following conditions:

- result in fatality or personal injury rising to the level of in-patient hospitalization and are attributable or allegedly attributable to utility owned facilities; or
- are the subject of significant public attention or media coverage and are attributable or allegedly attributable to utility facilities; or
- involve damage to the property of the utility or others estimated to exceed $50,000.

As such, Southern California Edison has filed the required reports as outlined above for the Eaton Fire, which impacted the Altadena/Pasadena area. SCE reports that they are investigating whether SCE equipment was involved in the ignition of the Eaton Fire.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

Dixie Fire Threshold and Eligible Claims Administration Process

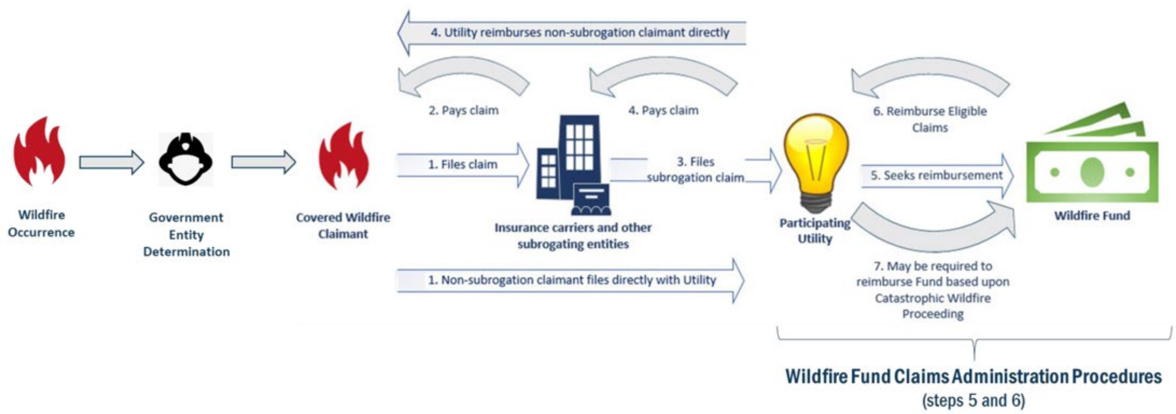
PG&E has been working with Sedgwick to provide detailed claims data and claims documentation for Dixie Fire claims through a multi-variable claims data template and a secure data portal for Subrogation Claims, the Direct Payment for Community Recovery process, public entities, timber companies, and individual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

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

Based on the Threshold Claim review, and a review of Eligible Claims paid in June 2024 through February 2025, Sedgwick has determined that all claims meet the criteria for Reasonable Business Judgement. Reviews of "Eligible Claims" continue and reimbursement payments have been made to PG&E for Eligible Claims paid as follows:

Eligible Claim Paid Month	Reimbursement to PG&E
June 2024	$39,258,154
July 2024	$33,657,156
August 2024	$78,851,058
September 2024	$16,877,339
October 2024	$88,474,800
November 2024	$48,807,990
December 2024	$43,942,610
January 2025	$30,244,000
February 2025	$24,256,642
Total	$404,404,749

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



Next Steps

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

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 3.C: Financial Report

Recommended Action: Information Only

CEA Chief Financial Officer Tom Hanzel will provide the California Catastrophe Response Council with a financial report on the Wildfire Fund as of June 30, 2025, and 2024.

FINANCIAL REPORT

June 30, 2025

Financial Report Table of Contents

Financial Statements

California Wildfire Fund
Balance Sheets

UNAUDITED

Assets	June 30, 2025	June 30, 2024
Cash and investments:		
Cash and cash equivalents	$ 5,382,129,818	$ 38,673,191
Investments	8,069,866,702	11,827,520,881
Total cash and investments	13,451,996,520	11,866,194,072
Interest receivable	46,732,886	81,134,470
Securities receivable	-	45,214,131
Total assets	$ 13,498,729,406	$ 11,992,542,673
Liabilities and Net Position		
Loss and loss adjustment expense reserves	$ 590,138,853	$ 600,000,000
Accounts payable and accrued expenses	2,477,486	1,277,757
Related party payable - CEA	372,156	216,719
Securities payable	78,291	-
Total liabilities	593,066,786	601,494,476
Net position:		
Restricted for CWF	12,905,662,620	11,391,048,197
Total net position	12,905,662,620	11,391,048,197
Total liabilities and net position	$ 13,498,729,406	$ 11,992,542,673

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

UNAUDITED

	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
Additions to fund assets:		
Rate payer monthly NBCs	$ 421,475,153	$ 405,772,500
Total contributions	421,475,153	405,772,500
Investment income & expenses	212,700,015	156,261,059
Change in unrealized gain/(loss)	270,818,425	(73,825,835)
Net investment income/(loss)	483,518,440	82,435,224
Total additions to fund assets	904,993,593	488,207,724
Deductions to fund assets:		
Losses and loss adjustment expenses	160,000,000	-
General and administrative expenses	4,035,560	976,065
Personnel expenses	421,104	161,976
Total deductions to fund assets	164,456,664	1,138,041
Increase/(decrease) in net position	740,536,929	487,069,683
Net position, beginning of year	12,165,125,691	10,903,978,514
Net position, end of period	$ 12,905,662,620	$ 11,391,048,197

California Wildfire Fund
2025 Approved Budget vs 2025 Actual Activity
as of June 30, 2025

	Actual Activity for Six Months Ended June 30, 2025	Approved Budget for Six Months Ended June 30, 2025	Actual Activity for Six Months Ended June 30, 2024	Approved Budget for FYE 2025
Additions to fund assets:				
Rate payer monthly NBCs, net	$ 421,475,153 *	$ 424,628,922	$ 405,772,500	$ 920,615,301 **
Utility annual contributions	-	-	-	300,000,000
Investment income (net of expenses)	212,700,015	197,017,993	156,261,059	414,690,648
Total additions to fund assets	**$ 634,175,168**	**$ 621,646,915**	**$ 562,033,559**	**$ 1,635,305,949**
Deductions to fund assets:				
Wildfire paid claims	$ 276,182,441	$ 276,182,441	$ -	$ 645,726,043
Personnel expenses:				
Personnel expenses - allocated from CEA	421,104	432,076	161,976	863,000
Total personnel expenses	421,104	432,076	161,976	863,000
General and administrative expenses:				
Wildfire fund durability initiatives	2,932,145	2,932,145	-	4,537,175
Other contracted services	387,054	519,998	413,876	1,040,000
Direct legal services-general	97,238	99,795	1,597	127,500
Financial services consulting	148,492	152,000	144,461	306,940
Bank fees	143,707	147,575	133,027	299,763
G&A expenses - allocated from CEA	321,753	315,306	270,966	630,614
Travel	-	15,000	-	16,500
RFQ advertisements	-	-	6,585	-
Software and licenses	-	400	708	900
Direct IT services	-	600	-	1,000
Audit fees	4,000	4,000	4,000	4,000
Printing & stationery	557	300	91	500
Council meeting expenses	614	2,100	754	3,750
Total general and administrative expenses:	4,035,560	4,189,219	976,065	6,968,642
Total deductions to fund assets	**$ 280,639,105**	**$ 280,803,736**	**$ 1,138,041**	**$ 653,557,685**
Change in unrealized gain/(loss)	270,818,425	- ***	(73,825,835)	-
Overall change to fund assets	**$ 624,354,488**	**$ 340,843,179**	**$ 487,069,683**	**$ 981,748,264**

* - NBC funds received by CWF in 2025 are net of DWR administrative and operating expenses of $3.3mm. The $3.3mm is made up of $1.6mm of DWR A&O expenses paid from Jan'25 through May'25 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 2025 are net of $5.4mm for DWR administrative and operating expenses.

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

California Wildfire Fund
Cost Allocation Methodology and Calculation for the Six Months Ended June 30, 2025 and 2024
06/30/2025

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 Six Months Ended June 30, 2025 and 2024.

	Department	Six Months Ended June'25		Six Months Ended June'24	
		Hours	Salaries & Benefits	Hours	Salaries & Benefits
1.	Comms	415.5	36,232	46.0	3,883
2.	Exec	665.8	74,593	65.8	18,544
3.	Finance	595.5	112,169	542.5	60,976
4.	IT	-	-	-	-
5.	Internal Ops	28.0	2,869	88.3	8,216
6.	Insurance Ops	108.5	23,725	92.3	18,954
7.	Legal	501.9	127,155	387.3	42,758
	Total Direct Hours/Costs	2,315.2	376,743	1,222.0	153,330

	June'25		June'24
CWF Salary & Benefit costs =	376,743	A	153,330
CEA Salary & Benefit costs =	12,503,470	B	13,354,472
	12,880,213	C	13,507,802
Allocation % =	2.92%	= A/C	1.14%

All other indirect costs, except for Clearwater charges, were allocated to the CWF based on the 2.92% and 1.14% allocations noted above. The Direct Investment Technology Support line item below consists of Clearwater (investment accounting and compliance software) charges that are allocated to the CWF based upon CWF's share of total assets under management of the CEA and CWF combined. The remaining indirect expenses noted below were charged to the CWF using the allocation percentages noted above.

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	4,098	7,754
Rent-Office Equip/Furniture	86450-16	246	108
Building Maintenance and Repairs	86475-16	104	26
Furniture/Equipment <$5000	86500-16	263	-
EDP Hardware <5000	86505-16	1,969	1,757
EDP Software <5000	86506-16	32,717	14,137
Office Supplies	86510-16	476	90
Postage	86530-16	80	-
HR and IT staff allocation	85101-16	44,361	8,646
Telecommunications	86550-16	4,116	2,103
Insurance Expense	86600-16	10,066	4,012
Other Administration Services	88175-16	1,148	381
Direct Investment Technology Support	89805-16	266,470	240,598
	Total Indirect Costs	366,114	279,612
	Total Costs	742,857	432,942

Contributions & NBCs Received

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	6-months of 2025	421,475,153	**
		Total SMIF Loan Activity & NBCs Received	4,190,909,622	
		Total Funds Received & Reimbursed	$ 13,490,909,622	

* - The legislation required that the CWF be initially capitalized in the form of a short-term $2 billion loan from the Treasurer's Surplus Money Investment Fund (SMIF). Starting in December 2020, the CWF started making monthly principal payments of $70 million, with the final payment occuring in April 2023. Additionally, the loan carried an interest rate of 2.35% which was paid on outstanding balances.

** - NBC funds received by CWF are net of DWR administrative and operating expenses (A&O). For the first five months of fiscal year 2025, the DWR incurred $1.6mm of A&O expenses and retained $1.7mm of funds in the DWR Charge Fund to pay future A&O expenses.

Investment Analysis

California Wildfire Fund
CWF Portfolio Overview
6/30/2025

June 30, 2025

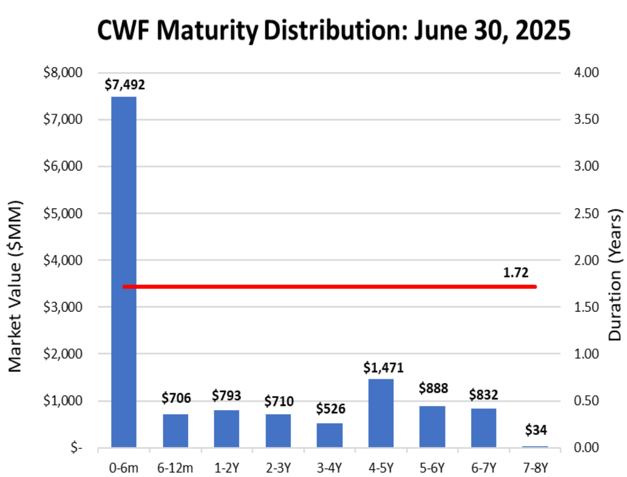
The CWF's total portfolio market value for June 2025 was $13.45 billion with an average duration of 1.72 years and average credit ratings of "AA".

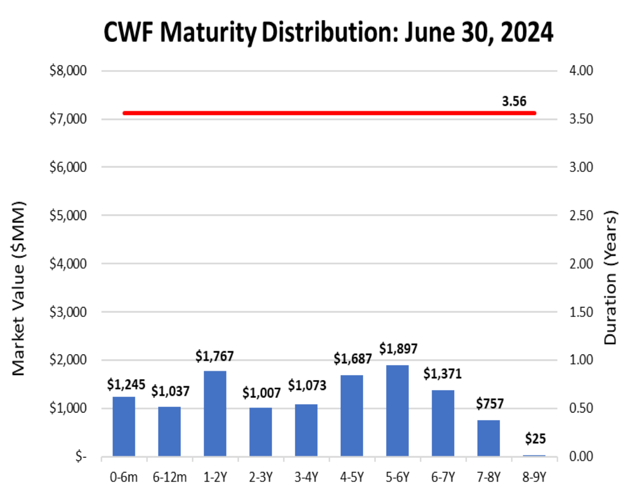
CWF Investment Portfolio as of June 30, 2025				
Sector	**Value ($MM)**	**% of Portfolio**	**Avg Credit Rating**	**Duration (Yrs)**
U.S. Treasury	$ 9,204	68.4%	AA+	1.31
U.S. Agency & Supranational	870	6.5%	AA+	1.91
Corporates	2,950	21.9%	A+	3.17
U.S. TSY MMF	428	3.2%	AAA	0.00
Total	**$ 13,452**	**100.0%**	**AA**	**1.72**

June 30, 2024

The CWF's total portfolio market value for June 2024 was $11.87 billion with an average duration of 3.56 years and average credit ratings of "AA".

CWF Investment Portfolio as of June 30, 2024				
Sector	**Value ($MM)**	**% of Portfolio**	**Avg Credit Rating**	**Duration (Yrs)**
U.S. Treasury	$ 6,665	56.2%	AA+	3.51
U.S. Agency & Supranational	1,179	9.9%	AA+	2.69
Corporates	3,987	33.6%	A+	3.95
U.S. TSY MMF	35	0.3%	AAA	0.00
Total	**$ 11,866**	**100.0%**	**AA**	**3.56**

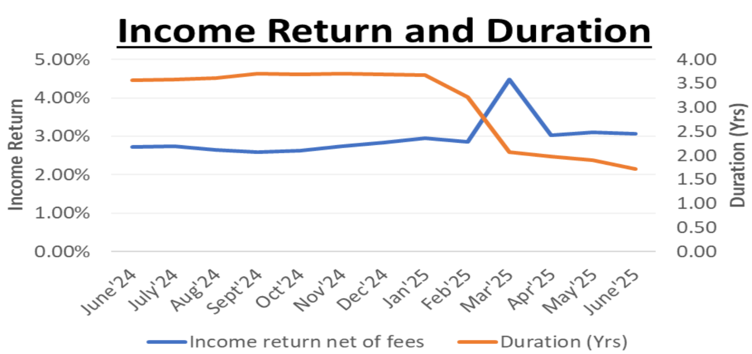


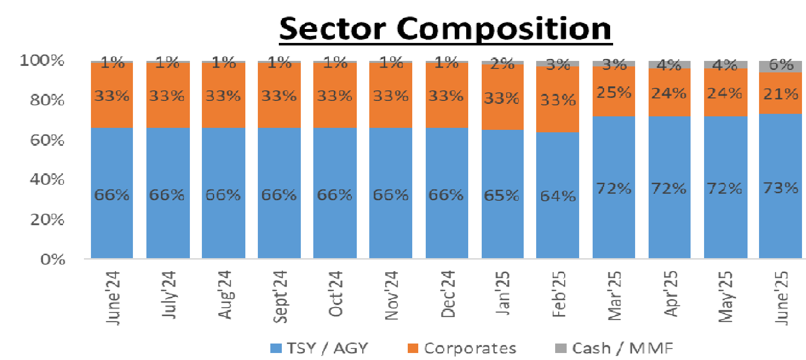


California Wildfire Fund
CWF Portfolio 12-Month History
June 30, 2025

CWF Investment Portfolio Overview	June'24	July'24	Aug'24	Sept'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25	Mar'25	Apr'25	May'25	June'25
Total Portfolio													
Market Value - Cash & Investments ($MM)	$11,866	$12,199	$12,307	$12,597	$12,497	$12,550	$12,858	$12,835	$12,742	$13,205	$13,371	$13,311	$13,452
Investment income ($MM) *	27.14	27.73	27.51	27.23	27.88	29.12	30.72	32.07	30.90	48.85	33.80	34.75	34.68
Change in unrealized gain/(loss) ($MM)	65.89	187.32	105.18	100.49	(230.33)	51.25	(114.6)	41.77	148.61	6.26	57.59	(34.08)	50.67
Investment management fees and bank fees ($MM)	0.37	0.38	0.39	0.41	0.41	0.41	0.39	0.39	0.38	0.39	0.40	0.40	0.41
fees as a % of average AUM	0.0032%	0.0033%	0.0032%	0.0033%	0.0033%	0.0033%	0.0032%	0.0030%	0.0030%	0.0030%	0.0030%	0.0030%	0.0031%
Income return gross of fees	2.76%	2.77%	2.69%	2.62%	2.67%	2.79%	2.88%	3.00%	2.90%	4.52%	3.06%	3.14%	3.11%
Income return net of fees	2.72%	2.73%	2.66%	2.59%	2.63%	2.75%	2.84%	2.96%	2.86%	4.48%	3.03%	3.10%	3.07%
Yield to Maturity	4.76%	4.44%	4.08%	3.93%	4.39%	4.31%	4.56%	4.43%	4.09%	4.07%	4.05%	3.92%	3.99%
Duration (Yrs)	3.56	3.59	3.62	3.70	3.69	3.71	3.69	3.68	3.21	2.07	1.98	1.91	1.72
Portfolio Composition (%)													
TSY / AGY	66%	66%	66%	66%	66%	66%	66%	65%	64%	72%	72%	72%	73%
Corporates	33%	33%	33%	33%	33%	33%	33%	33%	33%	25%	24%	24%	21%
Cash / MMF	1%	1%	1%	1%	1%	1%	1%	2%	3%	3%	4%	4%	6%

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





California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 3.D: Enterprise Risk Management Program

Recommended Action: Information Only

Risk Reporting

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

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

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

Reputation

Speculation continues as to the cause of the Eaton Fire and numerous lawsuits have been filed against SCE. 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.

Mitigation[1]

In March, the Office of Energy Infrastructure Safety (Energy Safety) released its draft safety certification guidelines for public comment, and on April 25th the guidelines were adopted. Also in April, Energy Safety released its Substantial Vegetation Management Audit and Report of San Diego Gas and Electric’s 2023 Wildfire Mitigation Plan Update and in June it released the Substantial Vegetation Management Audit and Report of Southern California Edison’s 2023 Wildfire Mitigation Plan Update.

IT Systems and Data Security

CEA earned its first SOC 2, Type II certification for the period of July 1-December 31, 2024. After the initial certification, CEA moved to an annual recertification cycle that runs January 1 through December 31, 2025. Compliance testing thus far has indicated that CEA is on track to successfully earning its certification again for 2025.

Although CEA’s SOC 2, Type II certification is scoped to IT applications supporting CEA’s residential earthquake business, the certification includes 96 security and privacy controls the majority of which also apply to the systems, people, and processes supporting administration of the CWF, including ensuring employees complete assigned security trainings, tracking and mitigating technical vulnerabilities, having and testing contingency plans (such as Incident Response, Disaster Recovery, and managing 3rd party risks.)

In December 2024, CEA hired Third-party Risk Manager, Courtney Porter. In her first six months with the Information Security and Privacy team, Courtney has reviewed and significantly enhanced the company’s privacy risk assessment processes for information systems and has made updates to the Artificial Intelligence review process that was established last year by expanding the review to evaluate additional factors in response

[1] Energy Safety information can be found on their website at [Energy Safety News and Updates]

to the ever-changing AI landscape. Courtney is also putting together additional training for all staff to stress the responsible use of AI and increase awareness.

Risk and Compliance Committee

The Risk and Compliance Committee (RCC) fosters policy adherence by working closely with departments to continuously update, improve, and enforce robust policies and to ensure that risk management activities are aligned with the organization's goals, objectives and risk appetite. RCC has established and formalized an Internal Audit Process as well as a Compliance and Monitoring Plan which will be continuously updated. A key element of the Compliance and Monitoring Plan is to verify that staff members review assigned policies and complete required ethics training annually.

Business Continuity

Business Continuity (BC) continues to bolster operational resilience within CEA through iterative reviews, updates and training of foundational BC documents and emergency management plans. The Business Impact Analysis is currently being updated and will provide granular data for a follow-on Business Process Analysis. The focus of this process is to develop contingency plans around our critical business functions.

CEA CALIFORNIA EARTHQUAKE AUTHORITY™
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 4: Perspectives on Eaton Fire Loss Estimates

Recommended Action: Information Only

Background

While it may take years before the final scope of damages from the January 2025 Los Angeles fires is known, there have been a number of estimates for damage and insured loss. The following summarizes a number of publicly available estimates of damage, separately stated for the Eaton Fire when available. These estimates are often focused on insurance industry losses. In some cases, total economic losses are estimated. Thus, the estimates are not all directly comparable.

Loss Estimates

Insured loss estimates range from $20 - $45 billion for both fires. Total economic losses are estimated to be as high as $131 billion. The following organizations have published information relevant to the January 2025 Los Angelese fires.

California Department of Insurance (CDI) – The CDI has been compiling and reporting on the number of claims filed, the number of claims paid and the total amount of payments. As of May 12, 2025, the CDI reports that a total of $17.1 billion have been paid and 38,120 claims have been filed. The claims filed include home, business, living expenses, auto damage, and other disaster-related claims related to the Eaton and Palisades Fires.

The total paid to date includes immediate payments issued under laws requiring advance payments to speed recovery, payments to policyholders to repair/replace damaged property, and local debris removal programs. Claims payments will grow as rebuilding gets underway.[1]

[1] LA County Wildfire Claims Tracker (last checked July 7, 2025)

Cotality (fka CoreLogic) - Cotality indicated an initial range for insured losses for the Palisades and Eaton Fires of $35 -$45 billion.[2]

Los Angeles County Economic Development Corporation (LAEDC) - LAEDC published a report in February 2025 which estimated total property losses between $28 - $53.8 billion.[3]

Milliman – Milliman published a detailed report in February 2025 establishing an insurance industry estimate for the Los Angeles fires at $25.2 - $39.4 billion.[4] A co-author of the report, Sheri Scott, Principal & Consulting Actuary, will present at the Council meeting.

Moody's - Moody's RMS Event Response initial estimates of insured losses for the Palisades and Eaton Fires ranged from $20 -$30 billion. Moody's subsequently revised their estimates following field recognizance efforts. Dr. Patzi Uriz, Director and US wildfire model development lead, will also present at the Council meeting.

UCLA, Anderson School of Management – The UCLA Anderson Forecast estimated total property and capital losses could range from $76 - $131 billion, with insured losses estimated up to $45 billion.[5]

Verisk – Verisk's initial estimates of insured losses for the Palisades and Eaton Fires ranged from $28 -$35 billion. Verisk estimated insured losses from the Palisades fire will range between $20 - $25 billion and losses from the Eaton fire will range $8 - $10 billion.[6] Property Claims Services (PCS) which is part of Verisk, compiles industry losses. PCS estimates are proprietary but do often wind up in the public domain despite the restrictions on their use.[7] It has been reported that PCS estimates the Eaton insured losses at $15.2 billion. [8]

[2] Cotality
[3] SCLC_2025-LA-Wildfires-Study-FINAL.pdf
[4] Industry insured losses for Los Angeles wildfires
[5] Economic Impact of the Los Angeles Wildfires | UCLA Anderson School of Management
[6] Verisk Estimates Insured Losses for Palisades and Eaton Fires at $28B to $35B
[7] https://www.verisk.com/49c03e/siteassets/media/pcs/pcs-consolidated-methodology-paper.pdf
[8] PCS combined estimate at $33.9bn for Palisades and Eaton | Insurance Insider

As noted above, two industry experts - Patzi Uriz from Moody's and Sheri Scott from Milliman - will present their respective perspectives on estimated losses from the January 2025 Los Angeles Fires, with a focus on the Eaton Fire, and will be available to answer the Council's questions.

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 5: Subrogation Claims Discussion

Recommended Action: Discussion Item

This Agenda Item is a continued discussion of the potential for the Wildfire Fund to be depleted following covered wildfires, particularly through acquisition of insurance industry subrogation rights by hedge funds and other third-parties. The information in this memorandum provides important background and statutory information relevant to this discussion.

Background

AB 1054'S SUBROGATION SETTLEMENT PROVISIONS

The Administrator's Responsibility & The Reasonable Business Judgment Standard

The Administrator is required by law, to review and approve any settlement of an eligible claim by an electrical corporation participating in the Wildfire Fund ("IOU") as being in the reasonable business judgement of the IOU before reimbursing the IOU from the Wildfire Fund.

With regards to subrogation settlements, California Public Utilities Code section 3292(f) creates a target of 40% for the settlement of subrogation claims.[1] Because the target is

[1] *See* Cal. Pub. Utilities Code § 3292(f) (emphasis added):

> *(f) (1) An electrical corporation meeting the applicable requirements of subdivision (b) may seek payment from the fund to satisfy settled or finally adjudicated eligible claims. Only eligible claims shall be made against or paid by the fund. In accordance with the procedures established by the administrator, the administrator shall review and approve any settlement of an eligible claim as being in the reasonable business judgment of the electrical corporation before releasing funds to the electrical corporation for payment.* ***Settlements of subrogation claims that are less than or equal to 40 percent of total asserted claim value as determined by the administrator shall be paid unless the administrator finds that the exceptional facts and circumstances surrounding the underlying claim do not justify the electrical corporation's exercise of such business judgment.*** *To the extent approved by the administrator, a settlement shall not be subject to further review by the commission.*

not a hard cap, the Administrator's role is limited to encouraging prudent settlements and monitoring for reasonableness.

The Administrator's Efforts to Help Control Subrogation Settlement Rates

Administrator staff has actively explored concepts and approaches to help control subrogation settlement rates and encourage prudent outcomes. However, under current law, the Administrator's authority to directly impose limits on subrogation settlements is very limited. Any meaningful change to reduce subrogation exposures would require legislative action to adjust IOU liability.

<u>Eaton Fire:</u> CEO Tom Welsh has used his relationships within the insurance industry to help facilitate early connections between potential subrogation rights holders and Southern California Edison ("SCE"). While Administrator staff have not participated directly in these meetings, we are hopeful that encouraging early dialogue will lead to more reasonable and efficient settlement outcomes if the Eaton Fire is ultimately determined to be a covered wildfire. This proactive approach aims to support prudent settlements within the limited authority provided under current law.

Impact of Imposing a Hard Cap on Fund Reimbursement

Refusing to reimburse an IOU for amounts above the 40% benchmark would not necessarily benefit the IOU or the Fund. If an IOU settles above 40% but the Fund withholds reimbursement, the IOU remains liable to pay the insurer the full agreed amount. This could weaken the IOU's financial stability without meaningfully changing settlement behavior.

Furthermore, if the Administrator attempted to impose a **hard cap** – by refusing to reimburse any settlement amounts above 40% – it would likely incentivize the IOU to fully litigate subrogation claims rather than settle. This is because:

- Any settlement above the cap would create unreimbursed costs for the IOU.

---

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

- By fully litigating instead, the IOU could pursue final adjudication, which is **fully reimbursable** under AB 1054, regardless of the ultimate amount awarded.

Additionally, imposing a hard cap of 40% would be inconsistent with the current statute, which on its face contemplates that there may be circumstances where it is reasonable for an IOU to agree to a subrogation settlement rate above 40%. The Administrator cannot selectively apply the statute and must consider all aspects, including the reasonable business judgement of the IOU when facing liabilities resulting from specific covered wildfires. In practice, this could increase litigation costs, extend resolution timelines, and create uncertainty for insurers and claimants, potentially undermining the Fund's purpose of providing timely recovery.

Summary and Next Steps

To achieve lower subrogation settlement rates and thereby enhance the durability of the Wildfire Fund, the Legislature would be required to implement an express limitation on IOU liability for subrogation claims. For the reasons stated above, relying solely on the Administrator to enforce an inflexible cap on reimbursement may not be a viable long-term solution and could risk undermining both the IOUs' financial stability and the Fund's intended purpose.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 6: Plan of Operations (Sixth Annual Report)

Recommended Action: Review and approve the Sixth Annual Report, and authorize the Administrator to deliver the Sixth Annual Report to the Senate Committee on Energy, Utilities and Communications and the Assembly Committee on Utilities and Energy.

California Public Utilities Code §3283:

> *The council shall direct the administrator to prepare and present for approval a plan of operations related to the operations, management, and administration of the fund on an annual basis. At least annually, the council shall direct the administrator to present the plan of operations to the appropriate policy committees of the Legislature. The plan shall include, but not be limited to, reporting on the Wildfire Fund assets, projections for the durability of the fund, the success of the fund, whether or not the fund is serving its purpose, and a plan for winding up the fund if projections demonstrate that the fund will be exhausted within the next three years.*

Pursuant to section 3283, the Administrator has prepared the Sixth Annual Report and submits it to the Council for review and approval. Consistent with relevant statute, the Sixth Annual Report includes information related to Wildfire Fund assets, projections for the durability of the Wildfire Fund, the success of the Wildfire Fund, and whether or not the Wildfire Fund is serving its purpose. The Sixth Annual Report does not include a plan for winding up the Fund because current projections do not show that the Fund will be exhausted within the next three years. The information in the Sixth Annual Report covers the one-year period of July 12, 2024 through July 11, 2025.

On July 3, 2025, Administrator staff circulated a draft of the Sixth Annual Report to council members, a copy of which is attached to this memorandum. If approved by the Council, Administrator staff will re-format and transform the draft report into a final report, and submit it to the appropriate committees in the Legislature.

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 Annual Report covers the one-year period of July 12, 2024, through July 11, 2025.

[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.

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.

Disclaimer Regarding the Eaton Fire: 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.

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 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.

[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 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) <u>Administrative Actions taken by the Administrator, under the oversight of the Council.</u>

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: www.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.

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

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: https://www.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.

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 Received	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.

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.

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*."

"<u>Durability" Defined.</u> 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.

<u>Dependencies / Key Factors Influencing Durability.</u> 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]

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

[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.

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%

<u>Base – 1:</u> 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] The 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

[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.

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.

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.

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

[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.

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.

<u>Administrative Actions taken by the Administrator, under the Oversight of the Council</u>

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

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) <u>Increased liquidity of claim-paying resources through realizing net investment gains on strategic trades.</u> Between February 28, 2025, and March 11, 2025, the Administrator initiated investment sales to create liquidity. Following internal discussions and

[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.

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.

<u>Claims Summary</u>

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.

<u>Rating Stability of the IOUs</u>

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.

<u>AB 1054 Creates Incentives for the IOUs to Invest in Mitigation</u>

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: https://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: https://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: https://www.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: https://www.fire.ca.gov/incidents/2025/.

CALIFORNIA EARTHQUAKE AUTHORITY
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 7: Administrator Evaluation

Recommended Action: Information Only

Council Member Tracy Van Houton will give an overview of the process used for the Council's annual evaluation of the CEA's performance as Administrator of the Wildfire Fund during 2024. Mr. Welsh will present the results of the Council's annual evaluation.

The attached performance review contains the anonymized, and aggregated comments from all council members. CEA appreciates the positive comments and takes seriously the suggestions for improvement. CEA is deeply committed to operational excellence and continuous improvement. CEA's team appreciates the Council's confidence in CEA's ability to perform as Administrator of the Fund, and will look for additional ways, including those suggestions included in the attached comments, to continue to progress in our role as the Wildfire Fund Administrator.

Wildfire Administrator Performance Rating 2024

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

Member 2	
Leadership & Culture	5.0
Financial Leadership	5.0
Council Relations	5.0
Claim Administration	4.0
Enterprise Risk Management	4.0
Overall Evaluation	5.0
Total	4.7

Member 3	
Leadership & Culture	5.0
Financial Leadership	5.0
Council Relations	5.0
Claim Administration	5.0
Enterprise Risk Management	5.0
Overall Evaluation	5.0
Total	5.0

Member 4	
Leadership & Culture	4.0
Financial Leadership	5.0
Council Relations	4.0
Claim Administration	4.0
Enterprise Risk Management	5.0
Overall Evaluation	4.0
Total	4.3

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

Member 6	
Leadership & Culture	5.0
Financial Leadership	5.0
Council Relations	4.0
Claim Administration	NA
Enterprise Risk Management	4.0
Overall Evaluation	4.0
Total	4.4

Member 7	
Leadership & Culture	4.0
Financial Leadership	5.0
Council Relations	4.0
Claim Administration	4.0
Enterprise Risk Management	5.0
Overall Evaluation	5.0
Total	4.5

Member 8	
Leadership & Culture	4.0
Financial Leadership	5.0
Council Relations	4.0
Claim Administration	5.0
Enterprise Risk Management	5.0
Overall Evaluation	5.0
Total	

Member 9	
Leadership & Culture	4.0
Financial Leadership	5.0
Council Relations	5.0
Claim Administration	5.0
Enterprise Risk Management	5.0
Overall Evaluation	5.0
Total	4.8

Overall Score (Average)	
Leadership & Culture	4.6
Financial Leadership	5.0
Council Relations	4.6
Claim Administration	4.6
Enterprise Risk Management	4.8
Overall Evaluation	4.8
Total	4.7

Wildfire Administrator Performance Rating 2024
Leadership and Culture

- The administrator is performing well in this category.
- The Administrator has been proactive in communicating developing issues to the Council and proposing potential solutions to the Council for its consideration. Examples of this are soliciting educational input and presentations from the public utilities, development of the Claims Manual, and dealing with the issues related to the Wildfire Fund sustainability/durability.
- Excellent

<u>Areas of focus:</u>

- While the Administrator was proactive in informing the Council about hedge funds acquisition of insurer subrogation rights and, thus, responding to the wishes of some Council members in their desire to communicate with the Legislature by providing a draft letter, it would have been helpful for the Administrator to also have provided a legal memoranda with the draft letter or before drafting the letter that analyzed the issues that might arise as a result of proposed legislation requested by some of the Council members (as contained in said draft letter).
- After the January fires and their potential impact on the viability of the Fund, the Administrator could be more proactive in developing plans for the Council to address the potential large drain on the Fund, whether that's through public engagement, a legislative effort, of something else.

Financial Leadership

- The Administrator has done a good job at shifting investments as needed to address the changing economic conditions.
- The Administrator has been very good at striking a balance between achieving sufficient investment yields to enhance sustainability/durability of the Wildfire Fund with the need to provide for sufficiently conservative investment policies so that the principal can be maintained/endure. The Administrator also proactively uses the resources of an independent investment advisor to help facilitate this process.
- The Administrator has been proactive in providing regular financial reports on the Wildfire Fund's financial position as well as providing any additional financial reports requested by CCRC members.
- The Administrator regularly reviews the economic benefits and costs of debt as well as risk transfer and has worked to minimize the non-bypassable charges/costs by engaging with DWR directly, where appropriate, as well as reviewing third-party administrator billing.
- Superb, as always.

Council Relations

- The Administrator informs the board of issues and provides ways of addressing them. I really appreciate how the board quickly provided information on how the hedge funds are preying on LA fires victims and is now working with the Administration and the Legislature on a response.
- The Administrator does an excellent job of keeping the Council informed about direct Wildfire Fund coverage by the media plus providing information that may be of educational interest to the Council members. Meetings are well organized by the Administrator in compliance with Bagley-Keene
- The Administrator has been proactive in communicating developing issues with the Council, and in soliciting input from the Council on proposed courses of action.
- The Administrator has maintained a positive working relationship with the Council as a whole and with all individual members. It has been willing to brief individual Council members on issues when appropriate or at any time requested by a Council member. The Administrator greatly assists the Council in providing the materials needed for the preparation and submission of the Council's annual reports to the Legislature. The Council does an excellent job of organizing and facilitating Council meetings and letting the Council know of important Bagley-Keene Act meeting requirements.

- This area has continued to show improvement as they've organized specific informational sessions at the request of the Council and made sure to forward along relevant information to raise an overall awareness of issues.

Areas of Focus:

- As with all Boards and Commissions - Communications with the Council can and should be better. More frequent, more informed/enriched would be helpful to ensure that all Council members are equally up to speed on related issues/actions.
- As the Legislature and the Governor are now considering changes to our legislation after the January fires, it would be useful to get updates or briefings on what is happening and how they understand the condition of the Fund.

Claim Administration

- The Administrator has done a good job of keeping us informed on incoming claims. With the potential of significant claims coming from the LA fires, we will need to see how the claims process handles this stress and adjusts as needed.
- The Administrator has been critical to the development and implementation of the Claims Manual. It has been proactive in the testing of the organization's claims system and has worked closely with the public utilities in the mandated review of the utility claims payment systems. The Administrator has processed all required claims in a timely manner.
  In addition, the Administrator provides timely and thoughtful guidance to the Council on the Council's legal obligations, pursuant to existing law, regarding wildfire survivors *not* covered by the Wildfire Fund and appropriately gives the survivors allotted time at a public Council meeting to express their views with, at times, written communication back in response to survivors' letters with thought, empathy, and compassion.

Areas of Focus:

- It is important to continue to exercise and consider various scenario-based claim challenges.
- As we now understand the fragility of the Fund, are we engaging with stakeholders to ensure that we pay out only reasonable claims? We don't have leeway to challenge claims that are consistent with industry norms, but are we impressing on the utilities that they need to settle claims with diligence? Since the claims they settle are just passed on to us, they don't have much incentive to keep claims low. How are we addressing that contradiction? Do we need to suggest legislation that gives us more authority over claims?

Enterprise Risk Management

- The Administrator has been proactive in the development of an enterprise risk management system for the Wildfire Fund. This includes risk identification and prioritization of risk. The Administrator regularly reviews risks, and works to mitigate risks identified, with regular risk management reports to the Council, including remedial actions being undertaken.

Areas of Focus:

- This area is one that needs constant attention, particularly as claim pick up, to ensure for appropriate security and reliability of the fund and via cyber related networks including primary as well as second- and third-party engagements.

Overall Evaluation

- I believe the administrator is doing a good job of keeping the board informed and working to keep the wildfire fund solvent.
- The Administrator is doing an excellent job with the management of every aspect of the Wildfire Fund

- The Administrator has done an excellent job of performing all tasks needed for support of the Council and the implementation of its core functions under existing law. It has been proactive in identifying potential issues for Council consideration, and in proposing potential solutions for their consideration as part of protecting consumers and ensuring a durable Wildfire Fund.
- Now that claims have started being processed, it would be good if CCRC was able to share metrics on claim processing and how processing is viewed by utilities and claimants.
- The Administrators (CEA) is doing a really good job. I would save the overall 5/5 for a truly exceptional and more anticipatory work. That said I feel that they are starting to move in that direction.
- Really I would say overall rating is a 4.5+
- While I scored several of the specific evaluation categories 4, they all relate to the evolving issue of our response to the new reality created by the January fires. That’s a work in progress and is requiring a major shift in our thinking from the past. In general, however, the Administrator is doing an excellent job and I strongly support an overall score of 5.
- I especially want to call out Tom W. for the swift pivot on the private equity issue. That's agile and applaudable leadership.
- There are strong individuals across the board who make the CEA so effective in administering the WF. It is also a tribute to management that there has been such stability among the professional team.
- Lastly, I must mention that the expenses charged for administration are rock bottom, which makes the WF stand up longer/be more "durable" to serve the state's public.

CEA CALIFORNIA EARTHQUAKE AUTHORITY™
Wildfire Fund Administrator

California Catastrophe Response Council Memorandum

July 24, 2025

Agenda Item 8:	Claims Administration Procedures – Direct Payment for Community Recovery Programs
Recommended Action:	Information Only

Establishing the Administrator's View on Reasonable Business Judgment for Direct Payments for Community Recovery Programs

Background

In accordance with California Public Utilities Code section 3284(g), the CEA, as Administrator of the Wildfire Fund ("Administrator") established, with the approval of the California Catastrophe Response Council ("Council") *Wildfire Fund Claims Administration Procedures ("Procedures")* on July 22, 2021. With the Council's approval, the *Procedures* were amended on May 4, 2023.

California Public Utilities Code section 3284(g) provides that the procedures "may include processes to facilitate and expedite the review and approval of settled eligible claims, including guidelines for, or preapproval of, settlement levels."

Problem Statement

The aggregate cost of eligible claims arising from covered wildfires is increased by prolonged litigation between an IOU and individual claimants. Extended legal disputes delay resolution, strain the financial resources of both IOUs and claimants, and diminish the intended benefits of recovery by undermining the goal of expedited compensation for individuals impacted by covered wildfires.

The Administrator's Responsibility & The Reasonable Business Judgment Standard

The Administrator is required by law, to review and approve any settlement of an eligible claim by an electrical corporation participating in the Wildfire Fund ("IOU") as being in the reasonable business judgment of the IOU before reimbursing the IOU from the Wildfire Fund.

It is the Administrator's opinion that an IOU's exercise of reasonable business judgment in evaluating and resolving claims will necessarily vary based on the specific circumstances and individual factors associated with each covered wildfire. These factors may include, but are not limited to, the size and complexity of the covered wildfire, the volume and nature of claims, the availability and quality of supporting documentation, and the overall settlement dynamics unique to that covered wildfire.

The conceptual amendments described below are intended to recognize the unique circumstances an IOU would face if it was determined to have caused one, or more, of the January 2025 Southern California Wildfires, including the magnitude of the wildfire(s) and the finite resources available in the Wildfire Fund. These factors are critical to the IOU's exercise of reasonable business judgment in establishing Direct Payments for Community Recovery Programs.

Proposal Overview

The Administrator seeks feedback from the Council on conceptual amendments to the *Procedures* establishing criteria and guiding principles that an IOU must adhere to when developing a Direct Payments for Community Recovery Program. These criteria are intended to ensure that the Program is fair, consistent, objective, and aligned with applicable law and an IOU's responsibility to exercise reasonable business judgment in settling claims.

Proposal Specifics

The amendments would require an IOU that establishes a Direct Payments for Community Recovery Program for the processing and payment of claims resulting from covered wildfires, to formally attest that its Program meets the criteria listed below. This requirement is intended to enhance transparency, promote accountability, and ensure that Programs are designed and implemented in a manner that prioritizes the efficient infusion of recovery dollars directly to impacted individuals while adhering to established standards. Eligible claims submitted to the Administrator arising from Programs that meet the established criteria will be subject to an expedited review. Upon request of the Administrator, the IOU shall provide information on the methodologies for compensation based on damage type and severity used by the IOU in its uniform compensation framework.

Program Criteria:

- *Eligibility Standards*: Clearly defined and publicly available criteria for determining who qualifies for the Program.
- *Objective Damage Assessments*: Use of standardized methods and tools to assess damages, including the application of reputable models and engagement with established modeling firms.
- *Uniform Compensation Framework*: Establishment of consistent methodologies for compensation based on damage type (real property; additional living expenses; personal property; non-economic; etc.) and severity. The framework should avoid arbitrary or ad hoc determinations of individual claims.
- *Transparent Claims Process*: Clear, written explanation of the claims process, documentation requirements, and deadlines.
- *Fraud Measures*: Implementation of procedures for identifying and investigating potentially fraudulent claims, including a process for eliminating duplicate damage claims between a claimant and the subrogated insurer for that claimant.
- *Timely Processing*: Defined timelines for claim review, decision, and payment issuance.
- *Equity and Anti-Discrimination Measures: Protections* against discrimination based on race, ethnicity, income, disability, or other protected characteristics. The IOU should conduct special outreach efforts and provide assistance to potential eligible claimants to ensure equitable access to the Program.
- *Auditability:* The IOU should maintain documentation of how it has handled claims consistent with the Program criteria