

## California Catastrophe Response Council MEETING MINUTES

**Date:** February 5, 2026

**Time:** 1:00 p.m.

**Location:** CalPERS – Feckner Auditorium, Lincoln Plaza North 400 P Street, Sacramento, CA 95811 & via Zoom/Teleconference (Meeting ID: 878 6450 9007)

1. **Quorum:** Call to order, and establishment of a quorum.

Chair Ghilarducci called the meeting to order at 1:05 p.m. Ms. Johnson called roll and confirmed a quorum.

<u>Council Member</u>	<u>Attendance</u>
Governor - Designee Mark Ghilarducci	In person
Treasurer - Designee Khaim Morton	Remotely via Zoom
Insurance Commissioner - Designee Michael Martinez	In person
Secretary of Natural Resources - Designee Bryan Cash	In person
Tracy Van Houten	In Person
Kathleen Ritzman	Remotely via Zoom
Rhoda Rossman	Remotely via Zoom
Paul Rosenstiel	In person
Catherine Barna	In person

**Council Members Absent:** None

**CEA Staff Present:** Tom Welsh (Chief Executive Officer), Shawna Ackerman (Chief Risk and Actuarial Officer), Tom Hanzel (Chief Financial Officer), George Sittner (Chief Insurance and Claims Officer), Suman Tatapudy (General Counsel), Susan Johnson (Governance Liaison)

**Other Presenters:** SB 254 Research Study Director Dr. Laurie Johnson

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

1. **Minutes (Action)**: Review and approve the minutes of the October 30, 2025, meeting of the Council.

The draft minutes from the October 30, 2025 meeting were reviewed.

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

No Public Comment was received.

**Outcome**: Motion passed by unanimous roll call vote.

2. **Administrator Evaluation (Action)**: CEA Chief Executive Officer Tom Welsh will ask the Council to appoint one CCRC member to review the 2025 Wildfire Fund evaluation form to be distributed to members.

Mr. Cash volunteered to work with CEA staff on the annual Administrator Evaluation.

No public comment was received.

3. **Proposed 2026 Budget (Action)**: CEA Chief Financial Officer Tom Hanzel will seek approval of the proposed 2026 California Wildfire Fund Budget.

Prior to reviewing the proposed budget, Mr. Hanzel noted that due to uncertainty related to the Eaton Fire and when SCE will submit claims, and the magnitude of those claims, at this time only staff hours are being budgeted related to the Eaton Fire. Once staff has more clarity regarding Eaton Fire claims, staff will seek an augmentation to the budget. Staff have not made adjustments to investment income, claims paid, and third-party expenses.

Proposed Budget Highlights:

- Ratepayer non-bypassable charges are budgeted to be down slightly from 2025 actuals as the Department of Water Resources adjusts the charge amount to align the average annual collection to approximately \$902.4 million .
- Projected investment income is up approximately \$60 million, as compared to full year 2025, to approximately \$488 million. Investment Income is likely to be impacted once Eaton Fire claim payments start being paid out.
- Paid wildfire claims related to the Dixie and Kincade Fires are expected to be completed in 2026.
- Personnel expenses of approximately \$2.1 million are up from about \$1 million the year prior, primarily due to continued processing of the Dixie and Kincade Fire loss payments, expenses related to the SB 254 study, and anticipated expenses for the Eaton Fire.
- Total General and Administrative Expenses include:
  - SB 254 expenses of about \$4.2 million, versus \$1.35 million last year, for the

remaining contract expenses for contractors and consulting firms hired to support the SB 254 study.

- Other contracted services are down year-over-year from about \$1.2 million to \$510,000 as claims support activity related to the Dixie and Kinkade Fires winds down.

**Motion:** Ms. Barna moved to approve; Mr. Rosenstiel seconded.

No public comment was received.

**Outcome:** Motion passed by unanimous roll call vote.

**4. Administrator's Operational Reports (Information):** CEA Executive Staff will provide a report on the following:

A. Claims Administration Update: Kincade Fire; Dixie Fire; Eaton Fire

Chief Insurance and Claims Officer George Sittner provided an update on wildfire claims beginning with the January 2025 Eaton Fire which ignited in the Altadena area within Southern California Edison's (SCE) servicing territory.

Eaton Fire:

- The Eaton Fire, which is being treated as a covered wildfire for purposes of the California Wildfire Fund, burned 14,000 acres and destroyed 9,400 structures.
- SCE settled a claim in litigation that resulted in dismissal where it was asserted that the utility's equipment was involved in the fire.
- The California Wildfire Fund (CWF) began working with SCE in early 2025, to familiarize SCE with the claims administration process and Fund expectations for settling wildfire claims.
- The CWF and its partner Sedgwick Claims Management have set up an efficient and secure process for receiving claims data and documents from, and providing claims data to, SCE.
- The CWF expects to start receiving data on subrogation claims and on the community recovery program.
- As reported at the February meeting, SCE notified the SEC that a subrogation settlement was reached with an insurer that equated to \$.52 cents for each dollar of claims paid or to be paid. That insurer has settled approximately \$500 million to settle claims for the Eaton Fire and SCE is auditing those claims and will then move those claims to the CWF for review.
- Southern California Edison has launched their Wildfire Recovery Compensation Program (WRCP) which is a voluntary program where wildfire survivors can file claims online with or without an attorney. SCE has promised a 90-day turnaround on those claims.
- WRCP status update: As of February 4, 2026, 2,120 claims have been

submitted; 320 offers totaling \$137.9 million have been extended; 36 claim payments made to 59 individuals; 26 percent of claims submitted by an attorney.

#### Kincade Fire:

The October 2019 Kincade Fire ignited in Sonoma County within PG&E's servicing territory. The fire burned 77,000 acres and destroyed 374 structures.

- PG&E estimates the aggregate liability to be \$1.325 billion, and as of mid-January, PGE has committed settlements of \$1.320 billion and is approximately \$5 million away from closing off the claim.
- Claim types include Individual, Subrogation, Public Entity, and Smoke and Ash, and Large claims.
- The Kincade Fire also resulted in some large winery claims- many wineries were destroyed or damaged, including infrastructure, inventory, and orchards.

#### Dixie Fire:

The July 2021 Dixie Fire ignited in Plumas County within PG&E's servicing territory. It burned nearly 1 million acres and destroyed 1,300 structures.

- PG&E estimated aggregate liabilities to be \$2.125B and as of mid-January had committed to \$2.04B in claim settlements.
- Claim types include Individual, Subrogation, Public Entity, Smoke and Ash, and Large claims.
- Extensive forest loss resulted in large claims related to timber losses, including inventory, commercial timber equipment, and roads.
- Tribal owned land losses also resulted in large claims and included losses to infrastructure, buildings, fire suppression, land, and roads.

In response to Council Member questions, Mr. Sittner stated that large claims for both the Kincade and Dixie Fires went through litigation. For the Dixie Fire, there was a small voluntary settlement program for homeowners and mobile homeowners with a set calculation of x dollars per square foot plus some additional expenses.

After the Kincade and Dixie Fire claim settlements are closed out, Chief Financial Officer Tom Hanzel stated that approximately \$21B in claims-paying capacity will be available to settle claims related to the Eaton Fire.

Mr. Sittner stated that in November 2025, PG&E filed an "Application for Review and Recovery of Costs Associated with the 2019 Kincade Fire and 2021 Dixie Fire Under AB 1054" with the CA Public Utilities Commission (CPUC). The scope of the proceeding considers issues such as:

- Are the electrical corporation's costs for the covered wildfires just and reasonable and was the utility's conduct related to the ignition of the fire prudent and

- reasonable?
- Are the costs that the utility wants to recover, net of insurance, to defend and resolve claims reasonable?
  - If the utility can recover costs from the ratepayers, and if so, how much?
  - Are the costs incurred to repair or replace damaged utility facilities and to restore service reasonable?
  - CPUC's proposed decision is scheduled to be issued on November 13, 2026.

Mr. Sittner clarified that if a utility was found to be imprudent, they would be required to reimburse the CWF an amount up to 20% of their transmission and distribution rate base.

Mr. Sittner and Chief Executive Officer Tom Welsh added that utilities pay the wildfire claims and then seek cost recovery permission through the CPUC. If that process results in a non-prudency finding, then the utility cannot recover costs from ratepayers. And because the CWF is partially capitalized by ratepayers, the utility would have to reimburse the CWF.

Mr. Hanzel closed out the presentation with an update on the Liquidities Support Program. At the October 2025 meeting, the Council approved a modest revision to the Claims Administration Procedures to provide greater transparency around the program. Since then, the CWF and SCE have been in negotiations and the CWF is close to reaching a final Memorandum of Understanding (MOU) with SCE.

The goal of the MOU is to:

- Provide benefits to ratepayers;
- Continued support for SCE's financial stability; and,
- Encourage SCE to enter early and reasonable settlements with claimants

The Liquidities Support Program is being structured in a way that will provide liquidity to the SCE after settlements have been approved and are being prepared for payment. The CWF can then step in and provide the payment rather than SCE having to put together a credit facility with a higher borrowing cost. Estimated savings to ratepayers is estimated to be \$20 to \$40 million per year.

## B. Financial Report

Mr. Hanzel stated that after the Dixie and Kincade Fires, the CWF continues to focus on expanding claim-paying capacity and building liquidity. Staff have also been working on debt-issuance with the Department of Water Resources (DWR) and the State Treasurer's Office (STO) to enable a defined issuance timeline of 3 to 4 months from decision to market pricing.

Financial Report Highlights:

- The total net position of the fund increased year over year by 13.8% to approximately \$13.8 billion.
- Cash and investments were up slightly to over \$14.1 billion, reflecting an increase of approximately \$1.2 billion year over year.
- Total liabilities include approximately \$243 million in outstanding loss and loss adjustment expenses related to the Dixie and Kincaid fires and other miscellaneous liabilities.
- Additions to the Fund in 2025 included \$925 million in non-bypassable charges and \$300 million in utility contributions.
- Investment income, net of expenses, remains strong at nearly \$428 million. Changes in unrealized gains of approximately \$365 million are primarily due to investment positions associated with interest rate decline.
- Portfolio duration was reduced from 3.69 years to 1.36 years to increase liquidity and the average portfolio credit rating increased from AA to AA+
- Total fund size increased by approximately \$1.2 billion year over year
- Income return net of fees stands at approximately 3% and short-term Treasury reinvestment yields stand at approximately 3.6%
- Fund liquidity in the zero-to-six-month maturity range is slightly over \$9 billion, versus the prior year at \$1.5 billion.

### C. Enterprise Risk Management

CEA Risk and Actuarial Officer Shawna Ackerman focused on two Audit risks within the quarterly priority risk dashboard and the current standing on those key priority risks:

#### Internal Audit Highlights:

- Three Internal Audits were implemented in 2025 covering 1) Procurement policy and process, 2) Secondary employment policy and process; and 3) Form 700 filing conflict-of-interest compliance; three internal audits were completed in 2025
- All three internal audits were successful and identified improvements to be implemented by the responsible business units

#### External Audit Highlights:

- External audit activity included a SOC 2 Type 2 review of information technology and security in support of cyber insurance readiness
- The SOC 2 Type 2 certification was obtained last year and recertification remains on schedule for this year
- Staff reported regular penetration testing and refresher training for employees who click test phishing emails

Public Comment was received from Sydney (Camp Fire Survivor) and Tina Reszler (Camp Fire Survivor)

5. **SB 254 (Information):** Mr. Welsh and SB 254 Research Study Director Dr. Laurie Johnson will provide an update and facilitate a discussion on the SB 254 Natural Catastrophe Resiliency Study.

Mr. Welsh described SB 254 as a point-in-time on a continuum going back to the 2015 to 2018 utility-caused wildfires that resulted in the passage of AB 1054 in July 2019 and the creation of the California Wildfire Fund.

- The Wildfire Fund was designed as a finite fund intended to last long enough for the investor-owned utilities to make investments in safety and risk reduction.
- The January 2025 wildfires in Southern California could exceed the Wildfire Fund's remaining claim-paying capacity and resulted in the passage of SB 254.
- SB 254 created a continuation account for covered wildfires ignited after 2025 while the original wildfire fund is limited to covered wildfires that occurred on or after July 12, 2019, and before September 19, 2025, when the governor signed SB 254.
- SB 254 directed the CEA to undertake a Natural Catastrophe Resiliency Study and to deliver it the legislature and the governor on or before April 1, 2026.
- The SB 254 Study is being led by Research Study Director Dr. Laurie Johnson.

Dr. Johnson continued the presentation, adding that the scope of the study is extremely broad and is intended to address emerging climate-fueled economic risks, maintain progress toward climate goals, safe affordable reliable energy, wildfire and disaster harm mitigation, insurance market stability, and swift and fair compensation to those harmed.

SB 254 Study Highlights:

- CEA formed an executive steering committee with two representatives from the CCRC and representatives from the five state agencies, Public Utilities Commission, Office of Energy Infrastructure, Department of Insurance, Office of Emergency Services, and the Department of Forestry and Fire Protection, required by SB 254 to collaborate with CEA on the study.
- Mandated stakeholder feedback was also solicited from ratepayer advocates, insurance policy advocates, electrical corporations, insurance companies, and claimant attorneys among others.
- The open call for contributions resulted in submissions from individuals and organizations across stakeholder groups, with 83 submissions received from 69 individuals and organizations
- Dr. Johnson summarized the study framework stating that the report will evaluate and set forth recommendations on new models and approaches to complement or replace the Wildfire Fund and includes three overarching considerations:
  1. Accelerating recovery after catastrophes
  2. Mitigating damage before catastrophe
  3. More equitably and responsibly allocating the burdens from natural catastrophes

- The study is examining models in other countries, other regions, and elsewhere in the United States for analysis and reporting to the Legislature and is being approached as a whole-of-government and whole-of-society set of issues because populated areas across the state are exposed to catastrophe risk
- The goal is to deliver actionable and viable options and recommendations for the Legislature and Governor, including analysis of affordability impacts across consumer bills

No public comment was received.

**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.

No public comment was received.

After Public Comment, Council members addressed the possibility and appropriateness of adding future agenda items to:

- Clarify the statutory role of the Council and the reasonable business judgment standard used when reviewing reimbursement claims; and,
- Hear from wildfire survivor groups while also setting expectations as to the Council's statutory role and the process by which the fund reimburses utilities.
- Council leadership stressed that utilities remain fully liable for wildfire damages and that the fund evaluates reimbursement under the reasonable business judgment standard before payments are made.

Prior to adjournment, Mr. Welsh thanked General Counsel Suman Tatapudy for her service to CEA and the CWF and announced that she will be leaving to serve as a consultant for the Assembly Utilities and Energy Committee. He added that Ms. Tatapudy ended her involvement in any SB 254 work upon accepting her new role.

## **6. Adjournment**

Chair Ghilarducci adjourned the meeting at 3:12 p.m.