

Docket : A.25-06-017
Exhibit Number : CA-10
Commissioner : M. Baker
Admin Law Judge : R. Haga
Witness : B. Katzenberg



**PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION**

**TESTIMONY ON
LITIGATION AND CLAIMS RESOLUTION
FOR MOUNTAIN VIEW FIRE
COST-RECOVERY APPLICATION**

REASONABLENESS OF CLAIMS RESOLUTION

PUBLIC VERSION

San Francisco, California
December 12, 2025

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1 **LITIGATION AND CLAIMS RESOLUTION**

2 **I. INTRODUCTION**

3 This exhibit pertains to the application of Liberty Utilities (CalPeco Electric) LLC,
4 (“Liberty”) to recover costs associated with the Mountain View Fire (Application 25-06-
5 017).¹

6 This exhibit presents the analyses of the Public Advocates Office (Cal Advocates)
7 regarding the prudence of Liberty’s claims resolution practices following the Mountain
8 View Fire and prior to filing its application.

9 This exhibit relates specifically to Exhibit Liberty-05, Liberty’s testimony on
10 litigation and claims resolution.

11 **II. LIBERTY HAS FAILED TO DEMONSTRATE PRUDENCE OR**
12 **REASONABLENESS IN ITS SETTLEMENT NEGOTIATIONS**

13 To verify that Liberty entered into reasonable and prudent settlement of the claims
14 arising out of the Mountain View Fire, Cal Advocates requested data from Liberty
15 regarding initial claims, final settlement amounts, and its approach to negotiation.²
16 However, Liberty interpreted attorney-client privilege to cover most of the initial claims.³
17 Liberty claims that it entered into settlement agreements with terms that render the entire
18 agreement confidential, including the settlement amount.⁴ As a result, the only objective
19 data available for analysis is the total settlement value for each plaintiff type.⁵ Liberty
20 has not provided materials to demonstrate that it acted prudently in settlement
21 negotiations.

¹ Exhibit (Ex.) Liberty-05.

² Attachment 1, data request CalAdvocates-LIB-A2406017-009 (“Attachment 1”) & Attachment 2, data request CalAdvocates-LIB-A2406017-025 (“Attachment 2”).

³ Attachment 3, Liberty’s response to data request CalAdvocates-LIB-A2406017-009, question 12 (“Attachment 3”). Pending clarification in privilege log.

⁴ Attachment 4, Liberty’s response to data request CalAdvocates-LIB-A2506017-025, question 3 (“Attachment 4”).

⁵ Ex. Liberty-05C at 5 - 6

1 **A. The difference in settlement rates between plaintiff types is**
2 **suspiciously high.**

3 Liberty’s testimony in Exhibit Liberty-05C states that Liberty settled with
4 Individual Plaintiffs for less than one-third of total asserted claim value; Public Entity
5 Plaintiffs for less than half of total asserted claim value; and Subrogation Plaintiffs for
6 more than ██████████ of each dollar that the Subrogation Plaintiffs paid to
7 their insureds.⁶ This settlement rate is high. Liberty’s settlement rate 1) exceeds a
8 legislative benchmark; 2) is higher than recent wildfire settlements; and 3) may be higher
9 due to the sale of subrogation claims from insurance carriers to investment firms.

10 **1. Liberty’s Settlement Rate Exceeds a Legislative**
11 **Benchmark**

12 Public Utilities Code section 3292, subdivision (f), which was created by
13 Assembly Bill 1054 (Statutes of 2019) requires the specific facts and circumstances
14 surrounding a utility’s exercise of reasonable business judgment to justify settling
15 subrogation claims for more than 40% of the total asserted claim value.⁷ Liberty’s
16 settlement rate with Subrogation Plaintiffs is approximately double this Legislative
17 benchmark.

18 **2. Liberty’s Settlement Rate is Higher than Recent Wildfire**
19 **Settlements**

20 Recent wildfire settlements have been lower than those that Liberty entered into.
21 For example, consider SCE’s recent application for Woolsey Fire Cost Recovery, which
22 involved comparable settlement rates. In this matter, SCE settled with Public Entity
23 Plaintiffs and Individual Plaintiffs at roughly 33% but settled with Subrogation Plaintiffs

⁶ Ex. Liberty-05C at 5 – 6.

⁷ Pub. Util. Code, § 3292, subd. (f)(2). Assembly Bill 1054 only applies when a utility accesses the Wildfire Fund. By only applying additional scrutiny to subrogation claims, it creates a legislative benchmark that is relevant to any application that includes a global settlement of subrogation claims.

1 at 67% of total amounts paid to policyholders.⁸ Liberty’s Subrogation Plaintiff settlement
2 rate is roughly [REDACTED] higher.

3 **3. Liberty’s Settlement Rate May Be Inflated Due to the Sale**
4 **of Subrogation Claims.**

5 Ratepayers as a whole have an interest in the settlement of claims for the lowest
6 amount possible without litigation.² Individuals damaged by the fire, like the public
7 entities that respond to the fire and the subrogation carriers who insure against the fire,
8 have an interest in recovering their damages from the utility.¹⁰ This puts the interests of
9 most Liberty ratepayers at odds with all three types of plaintiff.

10 While Individual Plaintiffs file claims on their own behalf and Public Entities file
11 claims to recover emergency response costs, Subrogation Plaintiffs file claims to recover
12 amounts paid to policyholders.¹¹ Subrogation claims can be treated as an investment
13 vehicle, and Subrogation Plaintiffs may sell their claims for a lower amount of money in
14 exchange for more immediate payment with less risk and effort, especially when a
15 California utility is liable for the damages, due to the legal liability concept of inverse
16 condemnation.¹² The purchaser’s only incentive is to profit from its investment by
17 maximizing the payout on the claim. For example, more than \$1 billion in Eaton Fire
18 Subrogation Plaintiff claims had been sold to investors in 10 transactions as of April 12,
19 2025, less than three months after the fire’s containment.¹³

⁸ Attachment 5, A.24-10-002, Exhibit SCE-05 at 12 – 13 (“Attachment 5”), available at:
<https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2410002/8126/566244723.pdf>.

² Attachment 6, California Catastrophe Response Council memorandum, July 24, 2025, Agenda Item 5:
Subrogation Claims Discussion at 57 – 58 (“Attachment 6”).

¹⁰ Attachment 7, California Legislative Analyst’s Office, *Allocating Utility Wildfire Costs: Options and
Issues for Consideration* (June 2019) at 10 (“Attachment 7”).

¹¹ Attachment 8, Wildfires and Climate Change: California’s Energy Future, A Report from Governor
Newsom’s Strike Force (April 12, 2019) at 30-31 (“Attachment 8”).

¹² Ex. Liberty-05 at 1.

¹³ Attachment 9, California Catastrophe Response Council notice and agenda, including meeting
memoranda, May 1, 2025, Attachment 3.A(1) at 28 (“Attachment 9”).

1 The treatment of plaintiff’s claims as investment opportunities may increase
2 settlement costs. Whereas the traditional purposes of settlement are to make harmed
3 parties whole and avoid uncertainty, the purpose of investments is to make money. To
4 ensure that ratepayers are not paying for unreasonably high investment returns, the
5 Commission should scrutinize Liberty’s settlement rate.

6 **B. Liberty has provided only a general summary of its settlement**
7 **negotiation outcomes**

8 Liberty provides only high-level information on its settlement negotiations and
9 outcomes in its confidential testimony Liberty-05C.¹⁴ It presents alternative bases for
10 calculating the total asserted claim value (including and excluding attorneys’ fees) but
11 does not explain its reasoning for agreeing to pay up to [REDACTED] of
12 Subrogation Plaintiffs’ total asserted claim value.¹⁵ Cal Advocates requested supporting
13 information, but Liberty maintained its assertions of attorney-client privilege and
14 confidentiality in follow-up requests.¹⁶ This misplaced assertion of privilege underscores
15 the lack of evidence to support Liberty’s requests. Instead of providing detailed
16 settlement information, Liberty asks the Commission to take the word of its witnesses
17 who assert that the settlements are reasonable. Given the high settlement rate, discussed
18 above, Liberty has failed to produce evidence that enables independent verification of its
19 assertion.

20 **III. CONCLUSION**

21 Liberty has not demonstrated its settlement negotiations were aligned with similar
22 recent wildfire settlements. As discussed above, Liberty’s settlement rate with
23 Subrogation Plaintiffs is relatively high; exceeds a legislative benchmark; and may be
24 inflated due to the sale of subrogation claims. Liberty’s settlement of subrogation claims
25 comprises [REDACTED] of its application total. Liberty declines to produce

¹⁴ Ex. Liberty-05C at 5 – 6.

¹⁵ Ex. Liberty-05C at 5. A comparison to SCE’s Woolsey Fire application would include ongoing payments made by insurers but ignore alleged attorneys’ fees, for a rate of [REDACTED]

¹⁶ Attachment 3.

- 1 evidence that would allow for meaningful review of its settlement rate. Thus, Liberty has
- 2 provided insufficient evidence to enable parties to assess the prudence of its claims.

APPENDIX A
QUALIFICATIONS OF WITNESS

1 **PREPARED TESTIMONY AND QUALIFICATIONS**
2 **OF**
3 **BENJAMIN KATZENBERG**

4
5 My name is Benjamin Katzenberg. My business address is 505 Van Ness Avenue,
6 San Francisco, California. I am employed by the California Public Utilities Commission
7 as a Public Utilities Regulatory Analyst (PURA) III in the Public Advocates Office,
8 Safety Branch.

9 I earned a Juris Doctor from Santa Clara University School of Law. I earned a
10 Bachelor of Arts degree in Psychology from the University of California, Los Angeles.

11 While in the Public Advocates Office, I have worked on climate adaptation, safety
12 culture, electrical resiliency, and gas planning issues. I have primarily worked on the
13 Investor-Owned Utilities’ Safety Culture Improvement programs (Rulemaking (R.)21-10-
14 001 and SoCalGas Investigation (I.)19-06-014). From 2021 through 2024, I worked on
15 proceedings regarding wildfire mitigation plans (WMPs) that are led by the California
16 Office of Energy Infrastructure Safety; in particular, I have analyzed and prepared
17 comments on inspection programs in SCE’s 2021 WMP update and SCE’s 2023-2025
18 WMP. I submitted testimony regarding compliance with General Order 95 asset
19 maintenance and vegetation management requirements in SCE’s Woolsey Fire cost
20 recovery application.

21 I joined the Public Advocates Office as a PURA I in 2021. Before joining the
22 California Public Utilities Commission, I volunteered at a debtors’ rights clinic and
23 contributed to intervenor comments regarding internet access before the CPUC and
24 Federal Communications Commission (FCC). Prior to that I worked as an assistant and
25 clerk for a small law firm focusing on land use issues.

26 This concludes my statement of qualifications.

APPENDIX B
SUPPORTING ATTACHMENTS

LIST OF ATTACHMENTS FOR APPENDIX B

Attachment #	Title
Attachment 1	Data Request CalAdvocates-LIB-202506017-009, August 25, 2025
Attachment 2	Data Request CalAdvocates-LIB-202506017-025, October 10, 2025
Attachment 3 Confidential	Liberty’s Amended Response to Data Request CalAdvocates-LIB-202506017-009, November 3, 2025, CONFIDENTIAL
Attachment 4	Liberty’s Response to Data Request CalAdvocates-LIB-202506017-025, October 24, 2025
Attachment 5	Southern California Edison, <i>Woolsey Fire Cost Recovery Application – Claims Resolution Testimony</i> , October 8, 2024
Attachment 6	California Catastrophe Response Council, meeting materials, July 24, 2025
Attachment 7	California Legislative Analyst’s Office, <i>Allocating Utility Wildfire Costs: Options and Issues for Consideration</i> , June 2019
Attachment 8	<i>Wildfires and Climate Change: California’s Energy Future, A Report from Governor Newsom’s Strike Force</i> , April 12, 2019
Attachment 9	California Catastrophe Response Council, meeting materials, May 1, 2025

ATTACHMENT 1

Data Request CalAdvocates-LIB-202506017-009

August 25, 2025



Public Advocates Office Data Request

No. CalAdvocates-LIB-A2506017-009

Proceeding: A.25-06-017: Cost Recovery for Mountain View Fire

Date of issuance: August 25, 2025
Responses due: September 9, 2025

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INSTRUCTIONS

You are instructed to answer the following Data Request in the aforementioned proceeding, with written, verified responses pursuant to Public Utilities Code §§ 309.5(e), 314, 581 and 582, and Rule 1.1 of the California Public Utilities Commission's (CPUC) Rules of Practice and Procedure.

Restate the text of each data request question prior to providing the response. Provide the name and title of the responding individual (i.e., the person responsible for the content of your answer) for each data request question. If the responding individual is not your employee, please provide their name, title, and employer, as well as the name and title of your employee who is directly responsible for the work of the responding individual.

Please send your responses and inquiries to the originators of this data request (that is, the Public Advocates Office employees and attorneys listed on the cover page), with copies to the following representatives of the Public Advocates Office:

1. Matthew.Karle@cpuc.ca.gov

Timing of responses: Please respond to each question as soon as your complete response to that specific question is available, and no later than the due date listed on the cover sheet.

Requests for Clarification: If a request, definition, or an instruction, is unclear, please notify the originators in writing within three (3) business days from the date of receipt of the Data Request, including a specific description of what you find unclear and why. If possible, please provide a proposal for resolving the issue. In any event, unless directed otherwise by the originators, answer the request to the fullest extent possible, explain why you are unable to answer in full, and describe the limitations of your response.

Incomplete responses: If, after you have sought clarification, you still believe any part of the Data Request to be unclear and you are unable to answer a question completely, accurately, and with the specificity requested, notify the originators within three (3) business days. If possible, please provide a proposal for resolving the issue. Answer the request to the fullest extent possible, explain why you are unable to answer in full, and describe the limitations of your response.

Deadline extension requests: If you are unable to provide a complete response to each question by the due date noted on the cover page, contact the originators in writing to request a deadline extension as soon as feasible. In your deadline extension request, please (1) specify the questions affected by the delay, (2) propose an alternative response date, and (3) provide a written explanation as to why the deadline cannot be met.

Objections: If you object to any portion of this Data Request, please submit your objections, including the specific legal basis for each objection, to the originators as soon as feasible. *At the latest*, submit your objections and legal bases by the deadline on the cover sheet.

Response format: Responses must be provided in the original format. (If available in Word or Excel format, send the Word or Excel document, not a PDF file.)

- All electronic documents submitted in response to this data request must be in readable, downloadable, printable, and searchable formats, unless the use of such formats is infeasible.
- Each page must be numbered.
- If any of your answers rely on, refer to, or reflect calculations that are not shown therein, provide a copy of the supporting records that were used to derive such calculations, such as Excel spreadsheets or computer programs, with data and formulas intact and functioning.
- Voluminous documents produced in response to the data request must be Bates-numbered and indexed.
- Responses to the data request that refer to or incorporate documents must identify the particular documents referenced, including the title and page number or, if available, Bates-numbers or Bates-range.

Assertions of privilege: If you contend that any question or sub-question seeks information that is covered by attorney-client privilege or another privilege:

- Identify and articulate the bases of each applicable privilege asserted for each question or sub-question individually.
- Respond to the question as fully as possible, even if you assert that some responsive information is privileged. Provide all responsive information that is not privileged, and redact only the allegedly privileged information.
- Provide a privilege log for any responsive information that is withheld (including redactions and documents withheld in their entirety). A privilege log must include the name, date, and author(s) of each redacted document, the precise privilege(s) asserted for each redacted document, and a brief description of each redacted document and its contents or subject matter sufficient to determine whether the asserted privilege(s) applies. If you provide one

privilege log in response to multiple questions or sub-questions, please also specify each question or sub-question the privileged document is responsive to.

Your privilege claims and privilege logs are due by the response deadline for this data request.

Other questions: For any questions, email the originators.

DEFINITIONS

- A. As used herein, the terms “you,” “your(s),” “Company,” “CalPeco Electric,” and “Liberty” mean Liberty Utilities (CalPeco Electric) LLC (U 933-E) and any of its current or former employees, agents, consultants, attorneys, officials, or any persons acting on its behalf.
- B. The terms “and” and “or” shall be construed either disjunctively or conjunctively whenever appropriate in order to bring within the scope of this Data Request any information or documents which might otherwise be considered to be beyond their scope.
- C. Date ranges shall be construed to include the beginning and end dates named. For example, the phrases “from January 1 to January 31,” “January 1-31,” “January 1 to 31,” and “January 1 through January 31” include both the 1st of January and the 31st of January. Likewise, phrases such as “since January 1” and “from January 1 to the present” include January 1st, and phrases such as “until January 31,” “through January 31,” and “up to January 31” include the 31st.
- D. The singular form of a word shall be interpreted as plural, and the plural form of a word shall be interpreted as singular whenever appropriate in order to bring within the scope of this Data Request any information or documents which might otherwise be considered to be beyond their scope.
- E. The term “communications” includes all verbal and written communications, including but not limited to telephone calls, conferences, notes, correspondence, and all memoranda concerning the requested communications. Where communications are not in writing, provide copies of all memoranda and documents made relating to the requested communication and describe in full the substance of the communication to the extent that the substance is not reflected in the memoranda and documents provided.
- F. The terms “document,” “documents,” or “documentary material” include, without limitation, the following items, whether in electronic form, printed, recorded, or written or reproduced by hand: reports, studies, statistics, projections, forecasts, decisions, orders, intra-office and interoffice communications, correspondence, memoranda, financial data, summaries or records of conversations or interviews, statements, returns, diaries, calendars, work papers, graphs, notebooks, notes, charts, computations, plans, drawings, sketches, computer printouts, summaries or records of meetings or conferences, summaries or reports of investigations or negotiations, opinions or reports of consultants, photographs, bulletins, records or representations or publications of any kind (including microfilm, videotape, and

records however produced or reproduced), electronic or mechanical or electrical records of any kind (including, without limitation, tapes, tape cassettes, discs, emails, and records), other data compilations (including, without limitation, input/output files, source codes, object codes, program documentation, computer programs, computer printouts, cards, tapes, and discs and recordings used in automated data processing, together with the programming instructions and other material necessary to translate, understand, or use the same), and other documents or tangible things of whatever description which constitute or contain information within the scope of this Data Request.

G. “Relate to,” “concern,” and similar terms and phrases shall mean to consist of, refer to, reflect, comprise, discuss, underlie, comment upon, form the basis for, analyze, mention, or be connected with, in any way, the subject of this Data Request.

H. “Identify”:

- i. When used in reference to a Company employee, “identify” includes stating their full name and title.
- ii. When used in reference to a consultant or contractor for the Company, “identify” includes stating the person’s name, title, and employer, and the name and title of the Company employee who is directly responsible for the work of the consultant.
- iii. When used in reference to a person who is not a current Company employee, consultant, or contractor, “identify” includes stating the person’s name; most recent title and supervisor at the Company; and most recent known employer, title/position, and business address.
- iv. When used in reference to documents, “identify” includes stating the nature of the document (e.g., letter, memorandum, study), the date (if any), the title of the document, the identity of the author, and the general subject matter of the document. For documents not publicly available, please also provide the location of the document, and identify the person having possession, control or custody of the document.

I. When requested to “state the basis” for any statement (i.e., any analysis, workpaper, study, proposal, assertion, assumption, description, quantification, or conclusion), please describe every fact, statistic, inference, supposition, estimate, consideration, conclusion, study, report, and analysis available to you which you believe to support the statement, or which you contend to be evidence of the truth or accuracy thereof.

J. “CPUC” and “Commission” mean the California Public Utilities Commission.

K. “Cal Advocates” means the Public Advocates Office at the California Public Utilities Commission.

DATA REQUEST

Question 1

In the Application, Exhibit Liberty-05, page 2, Liberty states, “The United States Department of Agriculture (USDA) and Bureau of Land Management (BLM) have sent potential claims to Liberty, seeking recovery for fire suppression related expenses and damages for trespass to land. Neither USDA nor BLM has filed a lawsuit.”

Please provide a copy of any documentation of the potential claims sent by USDA and BLM.

Question 2

In the Application, Exhibit Liberty-05, page 2, Liberty states, “. . . various public entities that incurred expenses as a result of the Mountain View Fire brought suit in Los Angeles County Superior Court. The public entities included the County of Mono, Antelope Valley Fire Protection District, Toiyabe Indian Health Project, Inc., and Bridgeport Indian Colony.”

Please provide:

- a) confirmation that all public entities seeking damages are listed in the passage above;
 - i. if necessary, specify all public entity plaintiffs that were not listed in Liberty-05;
- b) confirmation that the Bridgeport Indian Colony claims have been settled in full;
- c) a copy of the demand letter or filed complaint for each public entity; and
- d) copies of all settlement agreements with public entities. If necessary, please redact the settlement agreements and include a privilege log.

Question 3

In the Application, Exhibit Liberty-05, page 2, Liberty states, “Liberty removed these subrogation suits to federal court in the Eastern District of California. The claims were remanded to state court. All subrogation claims were consolidated with a Judicial Council Coordinated Proceeding (“JCCP”) in Los Angeles County Superior Court.”

Please provide:

- a) the subrogation claims’ Judicial Council Coordinated Proceeding number;
- b) a list of subrogation claim case numbers consolidated into the proceeding referenced in (a);
- c) the order of remand from the Eastern District of California; and
- d) a copy of the final decision in:
 - i. the Judicial Council Coordinated Proceeding; and
 - ii. any single subrogation plaintiff case.

Question 4

In the Application, Exhibit Liberty-05, page 4, Liberty states, “To support both litigation and settlement efforts, Liberty retained experienced damages experts to evaluate plaintiffs’ claims and the reasonableness of settlement demands.”

Please provide a list of damages expert firms retained by Liberty, and amounts paid to each.

Question 5

In the Application, Exhibit Liberty-05, page 5, Liberty states, "Liberty agreed that Judge Lichtman would be a capable and experienced mediator for the claims, particularly in light of his prior successful mediation of wildfire claims against Southern California Edison."

Please describe Liberty's process for evaluating mediators suggested by Subrogation Plaintiffs.

Question 6

In the Application, Exhibit Liberty-05, page 6, Liberty states, "The Frantz Law Group filed a motion to withdraw as their counsel due to lack of communication; that motion was recently withdrawn as to two plaintiffs and granted as to the third. Liberty will provide an update in its rebuttal testimony if the settlement status of these claims has changed."

Please provide:

- a) a copy of the Frantz Law Group's motion to withdraw as counsel;
- b) a copy of the order granting the motion as to the third plaintiff; and
- c) a case number for each of the two plaintiffs for whom the motion was withdrawn.

Question 7

In the Application, Exhibit Liberty-05, page 6, Liberty states, "Liberty engaged several well-qualified and experienced mediators familiar with wildfire cases, in particular Judge Jay Gandhi, Lexi Myers-Wolfe, and Judge Peter Lichtman. In some cases, these mediators helped facilitate reasonable resolution of the claims by offering proposals that were accepted by the parties."

Please provide:

- a) the number of Individual Plaintiff claims that were resolved through negotiation;
- b) the number of Individual Plaintiff claims that were resolved through mediation;
- c) the number of Individual Plaintiff claims that were resolved through arbitration, if any;
- d) the number of Individual Plaintiff claims that were resolved through litigation; and
- e) the number of Individual Plaintiff claims that have not been resolved, including:
 - i. specification of whether attempts at negotiation and mediation of each claim have been made and whether Liberty anticipates a possible settlement of each claim through mediation or negotiation in the future.

Question 8

Please provide the dollar amount of expert and consultant fees incurred in connection with the Mountain View Fire litigation and settlement in the following categories:

- a) conducting discovery, reviewing evidence, and preparing filings and reports related to claims submitted by Individual Plaintiffs;

- b) conducting discovery, reviewing evidence, and preparing filings and reports related to claims submitted by Subrogation Plaintiffs;
- c) conducting discovery, reviewing evidence, and preparing filings and reports related to claims submitted by Public Entity Plaintiffs; and
- d) expert and consultant fees incurred for any other purpose in connection with the Mountain View Fire litigation and settlement.

If any such fees were incurred, please provide a general description of the work performed.

Question 9

In the Application, Exhibit Liberty-06, page 1, Liberty states, “Liberty retained the law firm of Haight Brown & Bonesteel as outside litigation counsel (“HBB” or “outside counsel”).”

Please provide the contract with HBB and any other documents setting terms, guidance, or requirements for HBB’s representation of Liberty.

Question 10

Please provide the number of hours HBB billed to Liberty and the dollar amount paid to HBB as of the date of the Application along the following categories:

- a) Legal Research/Memo Drafting;
- b) Pleading/Brief Writing;
- c) Court Appearances;
- d) Mediation/Alternative Dispute Resolution;
- e) Discovery;
- f) Expert Oversight;
- g) Communications/Correspondence;
- h) Internal Meetings/Strategy/Preparation;
- i) Site Visits;
- j) Travel; and
- k) Total Hours.

If HBB tracked its time in different categories than those listed above, please provide the number of hours billed and dollar amount paid to HBB along those categories instead.

Question 11

Please provide the dollar amount of expert and consultant costs incurred in connection with the Mountain View Fire in each of the following areas:

- a) personal property loss;
- b) art and jewelry appraisal and restoration;
- c) automobile appraisal;
- d) trees, landscaping, and agricultural damage;
- e) business loss;

- f) real estate appraisal;
- g) construction forensics and reconstruction costs;
- h) smoke and ash damage;
- i) internal medicine;
- j) mental and emotional distress; and
- k) any other areas for which experts were consulted regarding damage claims arising from the Mountain View Fire.

Question 12

For each of the three categories of plaintiffs (Public Entity, Subrogation, and Individual), please provide the dollar value of:

- a) the highest amount paid to a single plaintiff in each category, along with that plaintiff's initial demand;
- b) the lowest amount paid to a single plaintiff in each category, along with that plaintiff's initial demand;
- c) the median of all amounts paid to all plaintiffs in each category, including the number of plaintiffs within that category that received the median amount;
- d) the mode of all amounts paid to all plaintiffs in each category, including the number of plaintiffs within that category that received the modal amount; and
- e) the average of the amounts paid to all plaintiffs in each category.

END OF REQUEST

ATTACHMENT 2

Data Request CalAdvocates-LIB-202506017-025

October 10, 2025



Public Advocates Office Data Request

No. CalAdvocates-LIB-A2506017-025

Proceeding: A.25-06-017: Cost Recovery for Mountain View Fire

Date of issuance: October 10, 2025

Responses due: October 24, 2025

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INSTRUCTIONS

You are instructed to answer the following Data Request in the aforementioned proceeding, with written, verified responses pursuant to Public Utilities Code §§ 309.5(e), 314, 581 and 582, and Rule 1.1 of the California Public Utilities Commission’s (CPUC) Rules of Practice and Procedure.

Restate the text of each data request question prior to providing the response. Provide the name and title of the responding individual (i.e., the person responsible for the content of your answer) for each data request question. If the responding individual is not your employee, please provide their name, title, and employer, as well as the name and title of your employee who is directly responsible for the work of the responding individual.

Please send your responses and inquiries to the originators of this data request (that is, the Public Advocates Office employees and attorneys listed on the cover page), with copies to the following representatives of the Public Advocates Office:

1. Matthew.Karle@cpuc.ca.gov

Timing of responses: Please respond to each question as soon as your complete response to that specific question is available, and no later than the due date listed on the cover sheet.

Requests for Clarification: If a request, definition, or an instruction, is unclear, please notify the originators in writing within three (3) business days from the date of receipt of the Data Request, including a specific description of what you find unclear and why. If possible, please provide a proposal for resolving the issue. In any event, unless directed otherwise by the originators, answer the request to the fullest extent possible, explain why you are unable to answer in full, and describe the limitations of your response.

Incomplete responses: If, after you have sought clarification, you still believe any part of the Data Request to be unclear and you are unable to answer a question completely, accurately, and with the specificity requested, notify the originators within three (3) business days. If possible, please provide a proposal for resolving the issue. Answer the request to the fullest extent possible, explain why you are unable to answer in full, and describe the limitations of your response.

Deadline extension requests: If you are unable to provide a complete response to each question by the due date noted on the cover page, contact the originators in writing to request a deadline extension as soon as feasible. In your deadline extension request, please (1) specify the questions affected by the delay, (2) propose an alternative response date, and (3) provide a written explanation as to why the deadline cannot be met.

Objections: If you object to any portion of this Data Request, please submit your objections, including the specific legal basis for each objection, to the originators as soon as feasible. *At the latest*, submit your objections and legal bases by the deadline on the cover sheet.

Response format: Responses must be provided in the original format. (If available in Word or Excel format, send the Word or Excel document, not a PDF file.)

- All electronic documents submitted in response to this data request must be in readable, downloadable, printable, and searchable formats, unless the use of such formats is infeasible.
- Each page must be numbered.
- If any of your answers rely on, refer to, or reflect calculations that are not shown therein, provide a copy of the supporting records that were used to derive such calculations, such as Excel spreadsheets or computer programs, with data and formulas intact and functioning.
- Voluminous documents produced in response to the data request must be Bates-numbered and indexed.
- Responses to the data request that refer to or incorporate documents must identify the particular documents referenced, including the title and page number or, if available, Bates-numbers or Bates-range.

Assertions of privilege: If you contend that any question or sub-question seeks information that is covered by attorney-client privilege or another privilege:

- Identify and articulate the bases of each applicable privilege asserted for each question or sub-question individually.
- Respond to the question as fully as possible, even if you assert that some responsive information is privileged. Provide all responsive information that is not privileged, and redact only the allegedly privileged information.
- Provide a privilege log for any responsive information that is withheld (including redactions and documents withheld in their entirety). A privilege log must include the name, date, and author(s) of each redacted document, the precise privilege(s) asserted for each redacted document, and a brief description of each redacted document and its contents or subject matter sufficient to determine whether the asserted privilege(s) applies. If you provide one

privilege log in response to multiple questions or sub-questions, please also specify each question or sub-question the privileged document is responsive to.

Your privilege claims and privilege logs are due by the response deadline for this data request.

Other questions: For any questions, email the originators.

DEFINITIONS

- A. As used herein, the terms “you,” “your(s),” “Company,” “CalPeco Electric,” and “Liberty” mean Liberty Utilities (CalPeco Electric) LLC (U 933-E) and any of its current or former employees, agents, consultants, attorneys, officials, or any persons acting on its behalf.
- B. The terms “and” and “or” shall be construed either disjunctively or conjunctively whenever appropriate in order to bring within the scope of this Data Request any information or documents which might otherwise be considered to be beyond their scope.
- C. Date ranges shall be construed to include the beginning and end dates named. For example, the phrases “from January 1 to January 31,” “January 1-31,” “January 1 to 31,” and “January 1 through January 31” include both the 1st of January and the 31st of January. Likewise, phrases such as “since January 1” and “from January 1 to the present” include January 1st, and phrases such as “until January 31,” “through January 31,” and “up to January 31” include the 31st.
- D. The singular form of a word shall be interpreted as plural, and the plural form of a word shall be interpreted as singular whenever appropriate in order to bring within the scope of this Data Request any information or documents which might otherwise be considered to be beyond their scope.
- E. The term “communications” includes all verbal and written communications, including but not limited to telephone calls, conferences, notes, correspondence, and all memoranda concerning the requested communications. Where communications are not in writing, provide copies of all memoranda and documents made relating to the requested communication and describe in full the substance of the communication to the extent that the substance is not reflected in the memoranda and documents provided.
- F. The terms “document,” “documents,” or “documentary material” include, without limitation, the following items, whether in electronic form, printed, recorded, or written or reproduced by hand: reports, studies, statistics, projections, forecasts, decisions, orders, intra-office and interoffice communications, correspondence, memoranda, financial data, summaries or records of conversations or interviews, statements, returns, diaries, calendars, work papers, graphs, notebooks, notes, charts, computations, plans, drawings, sketches, computer printouts, summaries or records of meetings or conferences, summaries or reports of investigations or negotiations, opinions or reports of consultants, photographs, bulletins, records or representations or publications of any kind (including microfilm, videotape, and

records however produced or reproduced), electronic or mechanical or electrical records of any kind (including, without limitation, tapes, tape cassettes, discs, emails, and records), other data compilations (including, without limitation, input/output files, source codes, object codes, program documentation, computer programs, computer printouts, cards, tapes, and discs and recordings used in automated data processing, together with the programming instructions and other material necessary to translate, understand, or use the same), and other documents or tangible things of whatever description which constitute or contain information within the scope of this Data Request.

G. “Relate to,” “concern,” and similar terms and phrases shall mean to consist of, refer to, reflect, comprise, discuss, underlie, comment upon, form the basis for, analyze, mention, or be connected with, in any way, the subject of this Data Request.

H. “Identify”:

- i. When used in reference to a Company employee, “identify” includes stating their full name and title.
- ii. When used in reference to a consultant or contractor for the Company, “identify” includes stating the person’s name, title, and employer, and the name and title of the Company employee who is directly responsible for the work of the consultant.
- iii. When used in reference to a person who is not a current Company employee, consultant, or contractor, “identify” includes stating the person’s name; most recent title and supervisor at the Company; and most recent known employer, title/position, and business address.
- iv. When used in reference to documents, “identify” includes stating the nature of the document (e.g., letter, memorandum, study), the date (if any), the title of the document, the identity of the author, and the general subject matter of the document. For documents not publicly available, please also provide the location of the document, and identify the person having possession, control or custody of the document.

I. When requested to “state the basis” for any statement (i.e., any analysis, workpaper, study, proposal, assertion, assumption, description, quantification, or conclusion), please describe every fact, statistic, inference, supposition, estimate, consideration, conclusion, study, report, and analysis available to you which you believe to support the statement, or which you contend to be evidence of the truth or accuracy thereof.

J. “CPUC” and “Commission” mean the California Public Utilities Commission.

K. “Cal Advocates” means the Public Advocates Office at the California Public Utilities Commission.

DATA REQUEST

Question 1

In the Application, Liberty-05, page 5, Liberty states, “The Subrogation Plaintiffs proposed using retired Judge Peter Lichtman as a mediator. ... After exchanging several confidential demands outside of mediation, the parties reached a settlement for ... approximately \$█ of each dollar that the Subrogation Plaintiffs paid to their insureds....”

Please provide:

- a) A description of the services provided by Judge Peter Lichtman with respect to Liberty’s negotiations and mediations with Subrogation Plaintiffs.
- b) Copies or aggregate information from all billing invoices Liberty received from Judge Peter Lichtman.

Question 2

In the Application, Liberty-05, page 2, Liberty states, “Roughly 40 subrogation plaintiffs brought suit against Liberty. ... These subrogation lawsuits were filed between January 26, 2021 and November 13, 2023.”

Please provide:

- a) A list of the 40 subrogation plaintiffs that brought suit against Liberty.
- b) The initial complaint from each subrogation plaintiff’s lawsuit.
- c) The final adjudication or dismissal with prejudice for each subrogation plaintiff’s lawsuit.
- d) The amount paid to each subrogation plaintiff to resolve that subrogation plaintiff’s lawsuit against Liberty.
- e) The amount paid to any subrogation plaintiffs who held claims against Liberty but did not file a lawsuit. Provide a demand letter or other documentation of the claim.
- f) The terms of all negotiated, mediated, or arbitrated settlements Liberty entered into with any subrogation plaintiff.

Question 3

The Superior Court of California, County of Los Angeles Minute Order for January 24, 2025 states:

The Court is advised that the following action: 23STCV02778 Robert Scott Christensen, et al. vs Liberty Utilities, is the only case going forward for trial. The Court will solely entertain the issue of Liability on the Inverse Condemnation Phase.

The Court is further advised each of the following cases have either been settled or will be dismissed: 22STCV41115 (Ayala); 22CV0313 (Barraza); 22STCV35918 (Ames);

22STCV35928 (Castro); 22STCV38772 (Buzzard); 22UCB13 (Joseph); and CV21006 (Timpone).

Please provide:

- a) The document formalizing the final settlement agreement that resolved each of the cases named in the second paragraph above from the minute order.
- b) Any motions, briefs, and other documents filed in 23STCV02778 regarding liability on the inverse condemnation phase.

Question 4

In the Application, Liberty-06, page 4, Liberty states, “The earliest settlements were fully covered by insurance. The third round of settlements, on August 25, 2024, brought the cumulative total to above the insurance limits, and thus was only partly covered by insurance, with Liberty paying the amounts above those limits.”

Please specify the date on which settlement payments rose above the insurance limits and provide a list of settlements that went into effect on that date.

Question 5

In the Application, Liberty-06, page 2, Liberty states, “Liberty’s outside counsel necessarily worked a substantial number of hours to defend against the 22 lawsuits by roughly 280 plaintiffs.”

Please state the total number of hours outside counsel spent defending against subrogation claims.

Question 6

In the Application, Liberty-06, page 3, Liberty states, “In order to evaluate and defend against the claims, Liberty prudently utilized expert witnesses and consultants...”

Please provide an itemization of the expert witness and consultant fees according to plaintiff type (Public Entity, Subrogation, and Individual).

END OF REQUEST

ATTACHMENT 3

**Liberty's Amended Response to Data Request
CalAdvocates-LIB-202506017-009
November 3, 2025**

CONFIDENTIAL



Liberty Utilities (CalPeco Electric) LLC
933 Eloise Avenue
South Lake Tahoe, CA 96150
Tel: 800-782-2506
Fax: 530-544-4811

November 3, 2025

Liberty Utilities (CalPeco Electric) LLC

**A.25-06-017
WEMA**

The Public Advocates Office

Data Request No.: CalAdvocates-LIB-A2506017-009
Requesting Party: Public Advocates Office
Originator: Benjamin Katzenberg, Benjamin.Katzenberg@cpuc.ca.gov
Aaron Louie, Aaron.Louie@cpuc.ca.gov
Patrick Huber, Patrick.Huber@cpuc.ca.gov
Cc: Matthew Karle, Matthew.Karle@cpuc.ca.gov
Date Received: August 26, 2025
Due Date: September 9, 2025
Response Date: September 9, 2025
Amended Response
Date: November 3, 2025

Liberty's response contains information marked confidential in accordance with applicable law and regulation. The basis for confidentiality is set forth in the accompanying confidentiality declaration. Public disclosure is restricted. For ease of reference, Liberty has highlighted confidential portions of its response in yellow.

REQUEST NO. 1:

In the Application, Exhibit Liberty-05, page 2, Liberty states, "The United States Department of Agriculture (USDA) and Bureau of Land Management (BLM) have sent potential claims to Liberty, seeking recovery for fire suppression related expenses and damages for trespass to land. Neither USDA nor BLM has filed a lawsuit."

Please provide a copy of any documentation of the potential claims sent by USDA and BLM.

AMENDED RESPONSE:

This response contains confidential attachments. Liberty objects to this Question as vague, ambiguous, and overbroad as framed. Liberty understands this Question to be seeking initial demand letters sent by USDA and BLM related to the Mountain View Fire. Subject to and without waiving these objections, Liberty responds as follows: Please refer to confidential attachment *CONFIDENTIAL-CalAdvocates-LIB-A2506017-009-Q1.pdf*.

REQUEST NO. 2:

In the Application, Exhibit Liberty-05, page 2, Liberty states, “. . . various public entities that incurred expenses as a result of the Mountain View Fire brought suit in Los Angeles County Superior Court. The public entities included the County of Mono, Antelope Valley Fire Protection District, Toiyabe Indian Health Project, Inc., and Bridgeport Indian Colony.”

Please provide:

- a) confirmation that all public entities seeking damages are listed in the passage above;
 - i. if necessary, specify all public entity plaintiffs that were not listed in Liberty-05;
- b) confirmation that the Bridgeport Indian Colony claims have been settled in full;
- c) a copy of the demand letter or filed complaint for each public entity; and
- d) copies of all settlement agreements with public entities. If necessary, please redact the settlement agreements and include a privilege log.

RESPONSE:

- a) The quoted passage from *Liberty-05* includes all public entities that filed lawsuits related to the Mountain View Fire.
- b) The Bridgeport Indian Colony claims related to the Mountain View Fire have been resolved.
- c) Please refer to the attachment *CalAdvocates-LIB-A2506017-009-Q2.pdf*.
- d) Please refer to the attachment *CalAdvocates-LIB-A2506017-009-Q2.pdf*.

REQUEST NO. 3:

In the Application, Exhibit Liberty-05, page 2, Liberty states, “Liberty removed these subrogation suits to federal court in the Eastern District of California. The claims were remanded to state court. All subrogation claims were consolidated with a Judicial Council Coordinated Proceeding (“JCCP”) in Los Angeles County Superior Court.”

Please provide:

- a) the subrogation claims’ Judicial Council Coordinated Proceeding number;
- b) a list of subrogation claim case numbers consolidated into the proceeding referenced in (a);
- c) the order of remand from the Eastern District of California; and

- d) a copy of the final decision in:
- i. the Judicial Council Coordinated Proceeding; and
 - ii. any single subrogation plaintiff case.

RESPONSE:

- a) JCCP 5228
- b) Please see below list:
 - American Modern Property and Casualty Insurance Company v. Liberty Utilities (CalPeco Electric) LLC, et al. Los Angeles County, Case No. 22STCV33697
 - ASI Select Insurance Corp., et al. v. Liberty Utilities (CalPeco Electric) LLC, et al., Mono County, Case No. CV210022
 - Fire Insurance Exchange, et al. v. Liberty Utilities (CalPeco Electric) LLC, Mono County, Case No. 21UCM59
 - Joseph, et al. v. Liberty Utilities (CalPeco Electric) LLC, Mono County, Case No. 22UCB13
 - Travelers Insurance v. Liberty Utilities (CalPeco Electric) LLC, Mono County, Case No. 21UCM9
 - CSAA Insurance Exchange v. Liberty Utilities (CalPeco Electric) LLC, et al., Los Angeles County, Case No. 23STCV18074
 - Amerind Risk Management Corporation and American Bankers Insurance Company v. Liberty Utilities (CalPeco Electric) LLC et al., Los Angeles County, Case No. 23STCV27793
- c) Please refer to the attachment *CalAdvocates-LIB-A2506017-009-Q3.pdf*.
- d) Liberty objects to this subpart as vague and ambiguous to the term “final decision.” Subject to and without waiving these objections, Liberty responds as follows: For purposes of this question, Liberty understands the term “final decision” to mean final adjudication of a case or the dismissal of a case with prejudice.
 - i. Liberty does not understand what this subpart is requesting with respect to a “final decision” in the Judicial Council Coordinated Proceeding.
 - ii. Please see attachment *CalAdvocates-LIB-A2506017-009-Q3.pdf* for copies of requests for dismissal with prejudice executed by the court related to subrogation plaintiff cases.

REQUEST NO. 4:

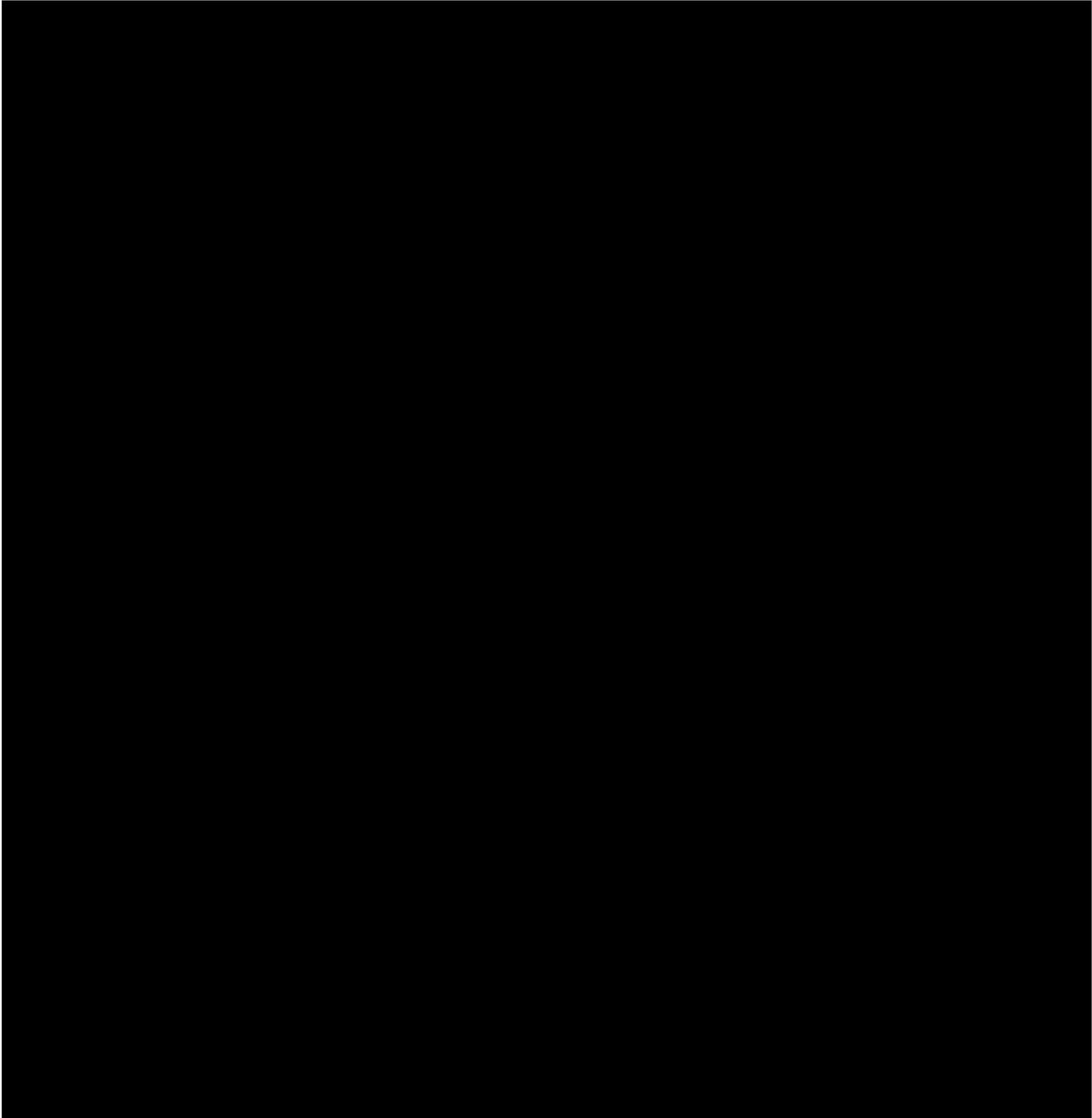
In the Application, Exhibit Liberty-05, page 4, Liberty states, “To support both litigation and settlement efforts, Liberty retained experienced damages experts to evaluate plaintiffs’ claims and the reasonableness of settlement demands.”

Please provide a list of damages expert firms retained by Liberty, and amounts paid to each.

RESPONSE:

This Response contains confidential information. As Liberty explained in *Liberty-06: Legal and Financing Costs*, a portion of the amount Liberty paid to experts was initially billed to and paid by Liberty’s outside counsel and then reimbursed by Liberty. The below confidential table

reflects Liberty's current understanding of amounts paid to each damages-related expert as of the date of filing:



REQUEST NO. 5:

In the Application, Exhibit Liberty-05, page 5, Liberty states, "Liberty agreed that Judge Lichtman would be a capable and experienced mediator for the claims, particularly in light of his prior successful mediation of wildfire claims against Southern California Edison."

Please describe Liberty's process for evaluating mediators suggested by Subrogation Plaintiffs.

RESPONSE:

Liberty objects to this Question as vague and ambiguous. Liberty further objects to this Question to the extent it seeks information protected by the attorney-client privilege, attorney work product doctrine and/or other privileges such as the mediation privilege(s) and California Evidence Code section 1119. Subject to and without waiving these objections, Liberty responds as follows: Liberty relied on the advice of outside litigation counsel and considered the qualifications and experience of Judge Lichtman, including his experience in mediating wildfire cases involving Southern California Edison.

REQUEST NO. 6:

In the Application, Exhibit Liberty-05, page 6, Liberty states, “The Frantz Law Group filed a motion to withdraw as their counsel due to lack of communication; that motion was recently withdrawn as to two plaintiffs and granted as to the third. Liberty will provide an update in its rebuttal testimony if the settlement status of these claims has changed.”

Please provide:

- a) a copy of the Frantz Law Group’s motion to withdraw as counsel;
- b) a copy of the order granting the motion as to the third plaintiff; and
- c) a case number for each of the two plaintiffs for whom the motion was withdrawn.

AMENDED RESPONSE:

- a) Liberty does not presently have a copy of the requested document, which was initially erroneously filed by plaintiffs’ counsel in Mono County and not subsequently served on Liberty after refileing.
- b) Liberty is providing the order granting the motion in the attachment *CalAdvocates-LIB-A2506017-009-Q6.pdf*.
- c) Superior Court of California, County of Los Angeles, Case No. 23STCV02778; Superior Court of California, County of Mono, Case No. 21UCM36.

REQUEST NO. 7:

In the Application, Exhibit Liberty-05, page 6, Liberty states, “Liberty engaged several well-qualified and experienced mediators familiar with wildfire cases, in particular Judge Jay Gandhi, Lexi Myers-Wolfe, and Judge Peter Lichtman. In some cases, these mediators helped facilitate reasonable resolution of the claims by offering proposals that were accepted by the parties.”

Please provide:

- a) the number of Individual Plaintiff claims that were resolved through negotiation;
- b) the number of Individual Plaintiff claims that were resolved through mediation;
- c) the number of Individual Plaintiff claims that were resolved through arbitration, if any;
- d) the number of Individual Plaintiff claims that were resolved through litigation; and
- e) the number of Individual Plaintiff claims that have not been resolved, including:
 - i. specification of whether attempts at negotiation and mediation of each claim have been made and whether Liberty anticipates a possible settlement of each claim through mediation or negotiation in the future.

RESPONSE:

Liberty objects to this Question to the extent it seeks information protected by the attorney-client privilege, attorney work product doctrine and/or other privileges such as the mediation privilege(s) and California Evidence Code section 1119. Subject to and without waiving these objections, Liberty responds as follows:

- a) None
- b) 320
- c) None
- d) None
- e) Three. Two cases are currently moving toward the mediation process; Liberty understands that the remaining claimant has not been in communication with his former attorneys and is not participating in litigation or settlement efforts.

REQUEST NO. 8:

Please provide the dollar amount of expert and consultant fees incurred in connection with the Mountain View Fire litigation and settlement in the following categories:

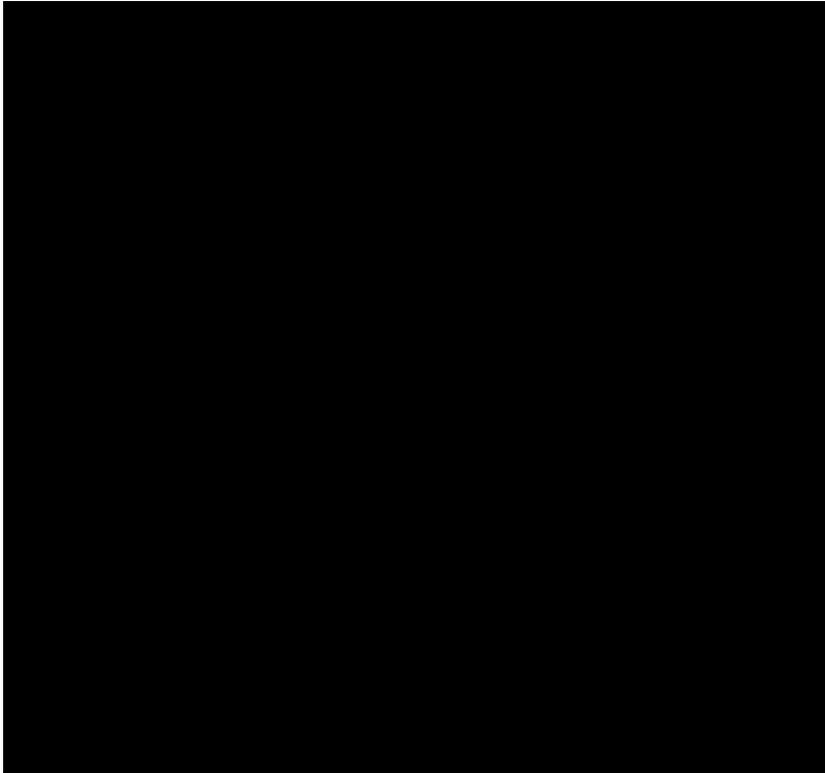
- a) conducting discovery, reviewing evidence, and preparing filings and reports related to claims submitted by Individual Plaintiffs;
- b) conducting discovery, reviewing evidence, and preparing filings and reports related to claims submitted by Subrogation Plaintiffs;
- c) conducting discovery, reviewing evidence, and preparing filings and reports related to claims submitted by Public Entity Plaintiffs; and
- d) expert and consultant fees incurred for any other purpose in connection with the Mountain View Fire litigation and settlement.

If any such fees were incurred, please provide a general description of the work performed.

AMENDED RESPONSE:

This response contains confidential information. Liberty objects to this Question as overbroad and unduly burdensome. Liberty further objects to this Question to the extent it seeks information protected by the attorney-client privilege, attorney work product doctrine and/or other privileges such as the mediation privilege(s) and California Evidence Code section 1119. Subject to and without waiving these objections, Liberty responds as follows:

- a) As Liberty explained in *Liberty-06: Legal and Financing Costs*, a portion of the amount Liberty paid to experts was initially billed to and paid by Liberty's outside counsel and then reimbursed by Liberty. Please refer to Liberty's response to Question 4 of this set of data requests for the amounts paid to each damages-related expert and the general scope of work they performed, including as it related to the specified categories of plaintiffs. The below confidential table reflects Liberty's current understanding of amounts paid to other experts as of the date of filing. The work of these experts related to the litigation and investigation generally and thus did not specifically pertain to a particular category of plaintiffs.



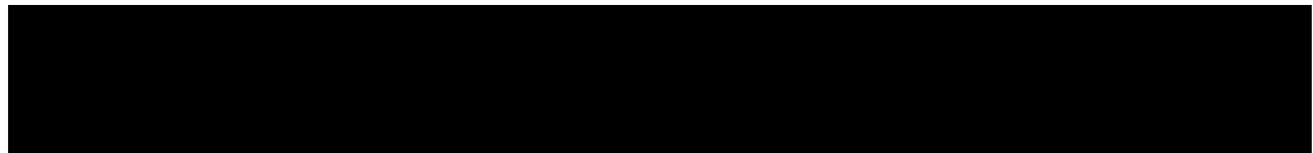
REQUEST NO. 9:

In the Application, Exhibit Liberty-06, page 1, Liberty states, “Liberty retained the law firm of Haight Brown & Bonesteel as outside litigation counsel (“HBB” or “outside counsel”).”

Please provide the contract with HBB and any other documents setting terms, guidance, or requirements for HBB’s representation of Liberty.

AMENDED RESPONSE:

This response contains confidential information. Liberty objects to this Question as vague, ambiguous and overbroad as framed. Liberty further objects to this Question on the grounds that it seeks information protected by the attorney-client privilege and/or attorney work product doctrine. Liberty understands this Question to be requesting the written fee agreement and engagement letter between Liberty and HBB related to the Mountain View Fire. Under California law, this fee agreement and engagement letter is a confidential communication between client and lawyer protected by the attorney-client privilege. *See* D.19-09-005 (citing Cal. Bus. & Prof. Code § 6149; Cal. Evid. Code § 952); *Los Angeles Bd. of Supervisors v. Sup. Ct.* (2016) 2 Cal.5th 282, 299. Liberty also objects to this Question on the grounds that the fee agreement and engagement letter is HBB’s sensitive financial and proprietary information, which would place both HBB and Liberty’s customers at an unfair business disadvantage if produced. Subject to and without waiving its objections, Liberty responds as follows:



REQUEST NO. 10:

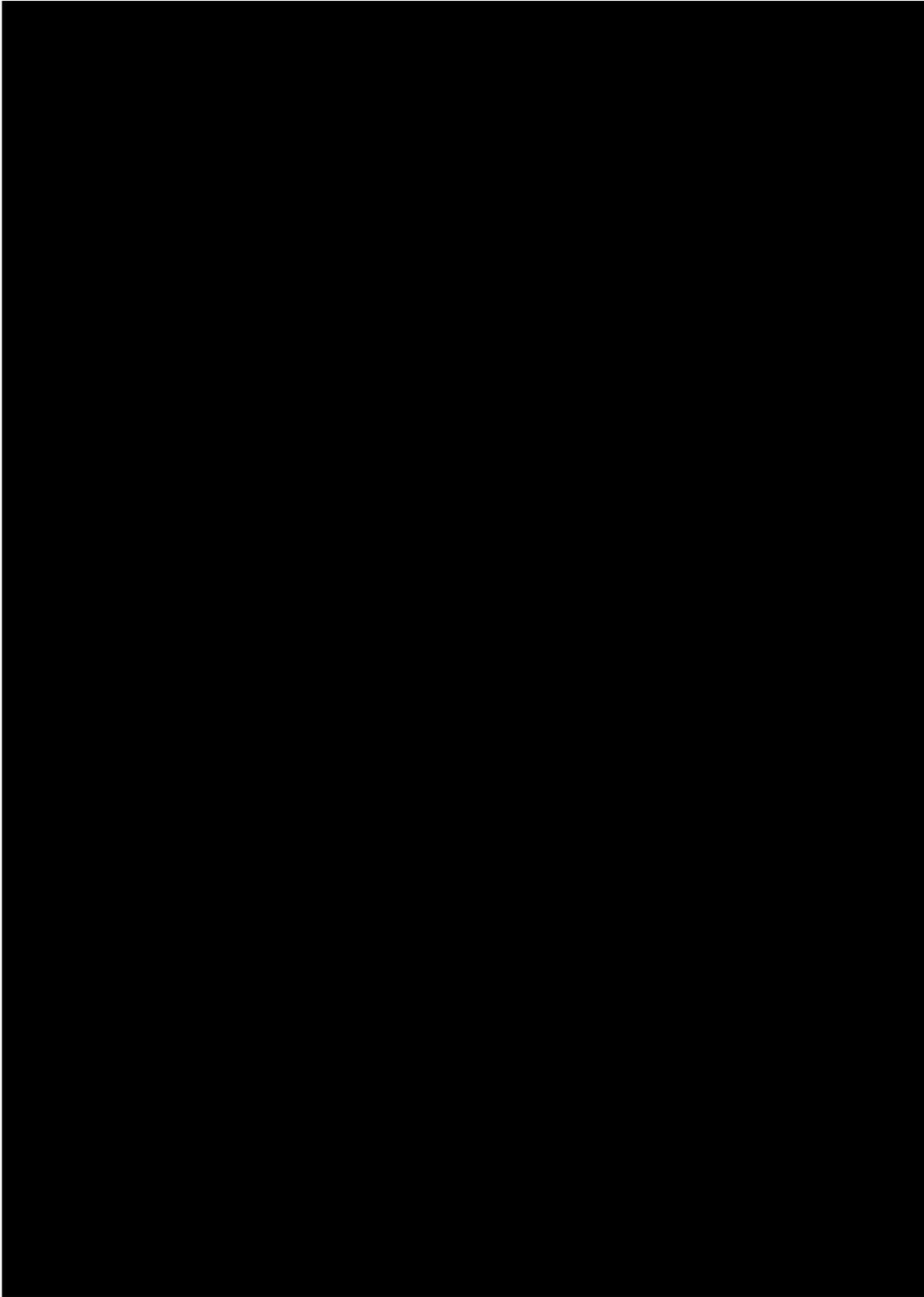
Please provide the number of hours HBB billed to Liberty and the dollar amount paid to HBB as of the date of the Application along the following categories:

- a) Legal Research/Memo Drafting;
- b) Pleading/Brief Writing;
- c) Court Appearances;
- d) Mediation/Alternative Dispute Resolution;
- e) Discovery;
- f) Expert Oversight;
- g) Communications/Correspondence;
- h) Internal Meetings/Strategy/Preparation;
- i) Site Visits;
- j) Travel; and
- k) Total Hours.

If HBB tracked its time in different categories than those listed above, please provide the number of hours billed and dollar amount paid to HBB along those categories instead.

RESPONSE:

This Response contains confidential information. Liberty objects to this Question to the extent it seeks information protected by the attorney-client privilege, attorney work product doctrine and/or other privileges such as the mediation privilege(s) and California Evidence Code section 1119. Subject to and without waiving these objections, Liberty responds as follows: Please see the confidential table below for the information requested as of date of filing.



REQUEST NO. 11:

Please provide the dollar amount of expert and consultant costs incurred in connection with the Mountain View Fire in each of the following areas:

- a) personal property loss;
- b) art and jewelry appraisal and restoration;

- c) automobile appraisal;
- d) trees, landscaping, and agricultural damage;
- e) business loss;
- f) real estate appraisal;
- g) construction forensics and reconstruction costs;
- h) smoke and ash damage;
- i) internal medicine;
- j) mental and emotional distress; and
- k) any other areas for which experts were consulted regarding damage claims arising from the Mountain View Fire.

RESPONSE:

Liberty objects to this Question as overbroad and unduly burdensome. Liberty further objects to this Question to the extent it seeks information protected by the attorney-client privilege, attorney work product doctrine and/or other privileges such as the mediation privilege(s) and California Evidence Code section 1119. Subject to and without waiving these objections, Liberty responds as follows: Liberty did not track expert costs in the categories requested in this Question. Please refer to Liberty's Response to Question 4 of this set of data requests for the amounts paid to each damages-related expert and the general scope of work they performed.

REQUEST NO. 12:

For each of the three categories of plaintiffs (Public Entity, Subrogation, and Individual), please provide the dollar value of:

- a) the highest amount paid to a single plaintiff in each category, along with that plaintiff's initial demand;
- b) the lowest amount paid to a single plaintiff in each category, along with that plaintiff's initial demand;
- c) the median of all amounts paid to all plaintiffs in each category, including the number of plaintiffs within that category that received the median amount;
- d) the mode of all amounts paid to all plaintiffs in each category, including the number of plaintiffs within that category that received the modal amount; and
- e) the average of the amounts paid to all plaintiffs in each category.

AMENDED RESPONSE:

This response contains confidential information. Liberty objects to this Question as overbroad and unduly burdensome. Liberty objects to this Question to the extent it seeks information protected by the attorney-client privilege, attorney work product doctrine and/or other privileges such as the mediation privilege(s) and California Evidence Code section 1119. Subject to and without waiving these objections, Liberty responds as follows:

- a) As to Public Entity Plaintiffs, Liberty reached a global settlement in the amount of \$4,250,000, which did not include a specific allocation of the settlement amount by public entity. The Public Entity Plaintiffs' initial demand is confidential and protected by the privileges asserted above.

As to the Subrogation Plaintiffs, Liberty reached a global settlement in the amount of [REDACTED], which did not include a specific allocation of the settlement amount by subrogation plaintiff. The Subrogation Plaintiffs' initial demand is confidential and protected by the privileges asserted above.

As to the Individual Plaintiffs, Liberty reached global settlements with groups of Individual Plaintiffs represented by the same plaintiffs' counsel. All but one of those global settlements included a specific allocation of the settlement amount by individual plaintiff or plaintiff household. For the one that did not include a specific allocation, the global settlement was in the amount of [REDACTED] and covered approximately [REDACTED] individual plaintiffs. Based on the global settlements with other Individual Plaintiff groups that included a specific allocation of the settlement amount by individual plaintiff or plaintiff household, the highest amount paid to a single plaintiff or plaintiff household was [REDACTED]. The Individual Plaintiffs' initial demands are confidential and protected by the privileges asserted above.

- b) See Liberty's response to subpart (a) regarding the global settlements with Public Entities and Subrogation Plaintiffs, and the one global settlement with Individual Plaintiffs' groups that did not include a specific allocation. Based on the global settlements with other Individual Plaintiff groups that included a specific allocation of the settlement amount by individual plaintiff or plaintiff household, the lowest amount paid to a single plaintiff or plaintiff household was [REDACTED]. The Individual Plaintiffs' initial demands are confidential and protected by the privileges asserted above.
- c) See Liberty's response to subpart (a) regarding the global settlements with Public Entities, Subrogation Plaintiffs, and the one global settlement with Individual Plaintiffs' groups that did not include a specific allocation. Based on the global settlements with other Individual Plaintiff groups that included a specific allocation of the settlement amount by individual plaintiff or plaintiff household, Liberty calculates that the median amount paid to a single plaintiff or plaintiff household was [REDACTED]. The Individual Plaintiffs' initial demands are confidential and protected by the privileges asserted above.
- d) See Liberty's response to subpart (a) regarding the global settlements with Public Entities, Subrogation Plaintiffs, and the one global settlement with Individual Plaintiffs' groups that did not include a specific allocation. Based on the global settlements with other Individual Plaintiff groups that included a specific allocation of the settlement amount by individual plaintiff or plaintiff household, Liberty calculates that the mode paid to a single plaintiff or plaintiff household was [REDACTED]. The Individual Plaintiffs' initial demands are confidential and protected by the privileges asserted above.
- e) See Liberty's response to subpart (a) regarding the global settlements with Public Entities, Subrogation Plaintiffs, and the one global settlement with Individual Plaintiffs' groups that did not include a specific allocation. Based on the global settlements with other Individual Plaintiff groups that included a specific allocation of the settlement amount by individual plaintiff or plaintiff household, Liberty calculates that the average amount paid to a single plaintiff or plaintiff household was approximately [REDACTED]. The

Individual Plaintiffs' initial demands are confidential and protected by the privileges asserted above.

ATTACHMENT 4

**Liberty's Response to Data Request
CalAdvocates-LIB-202506017-025
October 24, 2025**



Liberty Utilities (CalPeco Electric) LLC
933 Eloise Avenue
South Lake Tahoe, CA 96150
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Fax: 530-544-4811

October 24, 2025

Liberty Utilities (CalPeco Electric) LLC

**A.25-06-017
WEMA**

The Public Advocates Office

Data Request No.: CalAdvocates-LIB-A2506017-025
Requesting Party: Public Advocates Office
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Date Received: October 10, 2025
Due Date: October 24, 2025

Attachments to these responses contain information marked confidential in accordance with applicable law and regulation. The basis for confidentiality is set forth in accompanying confidentiality declaration. Public disclosure is restricted.

REQUEST NO. 1:

In the Application, Liberty-05, page 5, Liberty states, “The Subrogation Plaintiffs proposed using retired Judge Peter Lichtman as a mediator. ... After exchanging several confidential demands outside of mediation, the parties reached a settlement for ... approximately \$__ of each dollar that the Subrogation Plaintiffs paid to their insureds....”

Please provide:

- a) A description of the services provided by Judge Peter Lichtman with respect to Liberty’s negotiations and mediations with Subrogation Plaintiffs.
- b) Copies or aggregate information from all billing invoices Liberty received from Judge Peter Lichtman.

RESPONSE:

This response contains confidential attachments.

- a) As described in *Liberty-05: Litigation and Claims Resolution*, Liberty and Subrogation Plaintiffs were able to reach agreement without the assistance of Judge Lichtman. Judge Lichtman served as the mediator for Liberty and certain Individual Plaintiffs.
- b) Copies of billing invoices for Judge Lichtman related to mediation of Individual Plaintiff claims are provided as *CONFIDENTIAL-Attachment to CalAdvocates-LIB-A2506017-025, Q1.zip*.

REQUEST NO. 2:

In the Application, Liberty-05, page 2, Liberty states, “Roughly 40 subrogation plaintiffs brought suit against Liberty. ... These subrogation lawsuits were filed between January 26, 2021 and November 13, 2023.”

Please provide:

- a) A list of the 40 subrogation plaintiffs that brought suit against Liberty.
- b) The initial complaint from each subrogation plaintiff’s lawsuit.
- c) The final adjudication or dismissal with prejudice for each subrogation plaintiff’s lawsuit.
- d) The amount paid to each subrogation plaintiff to resolve that subrogation plaintiff’s lawsuit against Liberty.
- e) The amount paid to any subrogation plaintiffs who held claims against Liberty but did not file a lawsuit. Provide a demand letter or other documentation of the claim.
- f) The terms of all negotiated, mediated, or arbitrated settlements Liberty entered into with any subrogation plaintiff.

RESPONSE:

- a) The Subrogation Plaintiffs that brought suit are as follows:
 - Amerind Risk Management Corporation
 - American Bankers Insurance Company
 - Interinsurance Exchange Of The Automobile Club
 - Farmers Entities:
 - Farmers Insurance Exchange;
 - Fire Insurance Exchange;
 - Foremost Insurance Company Grand Rapids, Michigan;
 - Foremost Property And Casualty Insurance Company;
 - Mid Century Insurance Company
 - Nationwide Entities:
 - Nationwide Mutual Insurance Company;
 - Scottsdale Insurance Company;
 - Allied Property And Casualty Insurance Company, A Nationwide Company;
 - Nationwide Agribusiness Insurance Company;
 - Nationwide Insurance Company of America
 - National General Assurance Company
 - Property & Casualty Insurance Company Of Hartford
 - Travelers Commercial Insurance Company

- Amfam Connect Property & Casualty Insurance Company
 - Homesite Insurance Company Of The Midwest
 - California Fair Plan Association
 - Grange Insurance Association
 - Liberty Mutual Entities:
 - Safeco Insurance Company Of America;
 - Safeco Insurance Company Of Illinois;
 - Liberty Mutual Fire Insurance Company;
 - General Insurance Company Of America;
 - Liberty Insurance Corporation
 - Progressive Entities:
 - Progressive Classic Insurance Company;
 - Progressive Direct Insurance Company;
 - Progressive Select Insurance Company;
 - United Financial Casualty Company;
 - Asi Select Insurance Corporation
 - American Modern Property And Casualty Insurance Company
 - Lexington Insurance Company
 - State Farm Entities:
 - State Farm General Insurance Company;
 - State Farm Mutual Automobile Insurance Company
 - USAA Entities:
 - United Services Automobile Association;
 - USAA Casualty Insurance Company;
 - USAA General Indemnity Company;
 - Garrison Property And Casualty Insurance Company
 - CSAA Insurance Exchange
 - Allstate Entities:
 - Allstate Insurance Company;
 - Allstate Property And Casualty Insurance Company;
 - Allstate Northbrook Indemnity Company
- b) Copies of the initial complaints are provided as *Attachment to CalAdvocates-LIB-A2506017-025, Q2.zip*, as well as amended complaints that added new Subrogation Plaintiffs.
- c) See Liberty's response to CalAdvocates-LIB-A2506017-009, Question 3. Copies of the final adjudication or dismissal with prejudice for each Subrogation Plaintiff's lawsuit were provided in the attachment *CalAdvocates-LIB-A2506017-009-Q3.pdf*.
- d) See Liberty's testimony in *Liberty-05C: Litigation and Claims Resolution*, pp. 5-6, which describes and provides the confidential amount of Liberty's global settlement with the Subrogation Plaintiffs. The Subrogation Plaintiffs allocated proceeds from the global settlement without Liberty's direct involvement.
- e) See Liberty's response to subpart (d). Only one Subrogation Plaintiff, Hartford Underwriters Insurance Company, held a claim but did not file a lawsuit. Hartford

Underwriters Insurance Company joined the global demand of Subrogation Plaintiffs and did not submit an individualized demand.

- f) Liberty objects to this Question to the extent it seeks confidential information protected from disclosure under the settlement agreements. Subject to and without waiving its objections, Liberty responds as follows: Liberty's testimony in *Liberty-05C: Litigation and Claims Resolution*, pp. 5-6, describes and provides the confidential amount of Liberty's global settlement with the Subrogation Plaintiffs.

REQUEST NO. 3:

The Superior Court of California, County of Los Angeles Minute Order for January 24, 2025 states:

The Court is advised that the following action: 23STCV02778 Robert Scott Christensen, et al. vs Liberty Utilities, is the only case going forward for trial. The Court will solely entertain the issue of Liability on the Inverse Condemnation Phase.

The Court is further advised each of the following cases have either been settled or will be dismissed: 22STCV41115 (Ayala); 22CV0313 (Barraza); 22STCV35918 (Ames); 22STCV35928 (Castro); 22STCV38772 (Buzzard); 22UCB13 (Joseph); and CV21006 (Timpone).

Please provide:

- a) The document formalizing the final settlement agreement that resolved each of the cases named in the second paragraph above from the minute order.
- b) Any motions, briefs, and other documents filed in 23STCV02778 regarding liability on the inverse condemnation phase.

RESPONSE:

- a) Liberty objects to this Question as overbroad and unduly burdensome. Liberty further objects to this Question to the extent it seeks information protected by mediation privilege or California Evidence Code section 1119, or confidential information protected from disclosure under the settlement agreements. Subject to and without waiving its objections, Liberty responds as follows:

As noted in Liberty's response to CalAdvocates-LIB-A2506017-009, Question 12, as to the Individual Plaintiffs, the individual settlements reached are confidential by the terms of the settlement agreements and protected by the privileges asserted above. Liberty will provide an amended response to CalAdvocates-LIB-A2506017-009, Question 12 pursuant to its October 15, 2025 meet and confer with Cal Advocates.

- b) All filings for 23STCV02778 are available on the [Los Angeles County Superior Court](#) website. See Liberty's response to CalAdvocates-LIB-A2506017-023, Question 2.

REQUEST NO. 4:

In the Application, Liberty-06, page 4, Liberty states, "The earliest settlements were fully covered by insurance. The third round of settlements, on August 25, 2024, brought the

cumulative total to above the insurance limits, and thus was only partly covered by insurance, with Liberty paying the amounts above those limits.”

Please specify the date on which settlement payments rose above the insurance limits and provide a list of settlements that went into effect on that date.

RESPONSE:

Liberty objects to this Question as vague and ambiguous as framed. Liberty further objects to this Question to the extent it seeks confidential information protected from disclosure under the settlement agreements. Subject to and without waiving its objections, Liberty responds as follows: Total settlement payments exceeded Liberty’s available insurance on approximately August 25, 2024. On or around that date, Liberty paid claims associated with parties represented by the Law offices of Shawn E. Caine, A.P.C., Sieglock Law, A.P.C., and Fox Law, A.P.C.

REQUEST NO. 5:

In the Application, Liberty-06, page 2, Liberty states, “Liberty’s outside counsel necessarily worked a substantial number of hours to defend against the 22 lawsuits by roughly 280 plaintiffs.”

Please state the total number of hours outside counsel spent defending against subrogation claims.

RESPONSE:

Liberty objects to this Question as vague and ambiguous as framed. Liberty further objects to this Question as unduly burdensome. Subject to and without waiving its objections, Liberty responds as follows: A significant portion of the work performed by outside counsel involved defending the Mountain View Fire claims and cases generally (e.g., court hearings and depositions and written discovery in the coordinated proceeding). Liberty’s outside counsel did not separately categorize hours spent defending specifically against subrogation claims. For information regarding outside counsel’s hours, see Liberty’s response to CalAdvocates-LIB-A2506017-009, Question 10.

REQUEST NO. 6:

In the Application, Liberty-06, page 3, Liberty states, “In order to evaluate and defend against the claims, Liberty prudently utilized expert witnesses and consultants...”

Please provide an itemization of the expert witness and consultant fees according to plaintiff type (Public Entity, Subrogation, and Individual).

RESPONSE:

Liberty objects to this Question as vague and ambiguous as framed. Subject to and without waiving its objections, Liberty responds as follows: See Liberty’s response to CalAdvocates-LIB-A2506017-009, Questions 4 and 8.

ATTACHMENT 5

**Southern California Edison, *Woolsey Fire Cost Recovery Application*
– *Claims Resolution Testimony*
October 8, 2024**

Application No.: A.24-10-002
Exhibit No.: SCE-05
Witnesses: J. Hasbrouck



(U 338-E)

***Woolsey Fire Cost Recovery Application –
Claims Resolution Testimony***

Before the
Public Utilities Commission of the State of California

Rosemead, California
October 08, 2024

SCE-05: Claims Resolution Testimony

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1 I.

2 **EXECUTIVE SUMMARY**

3 SCE seeks recovery of costs reasonably incurred to settle claims arising out of the Woolsey Fire.
4 SCE faced significant exposure had plaintiffs’ claims proceeded to trial. This is because, in addition to
5 the risk inherent in litigating hundreds of trials, California’s inverse condemnation doctrine subjects
6 investor-owned utilities to strict liability for property damage, even absent any showing of negligence.
7 By pursuing reasonable settlements, SCE resolved claims for significantly less than the amounts
8 plaintiffs had demanded and avoided additional attorneys’ fees and interest. SCE has achieved
9 settlements with nearly 8,500 plaintiffs for amounts significantly lower than the dollar value of
10 plaintiffs’ total demands. These settlements also expedited the resolution of the claims compared to
11 litigation.

12 This testimony discusses the litigation that arose from the Woolsey Fire and the reasonable
13 processes SCE followed to resolve the multitude of lawsuits brought by three main categories of
14 plaintiffs: (1) Public Entity Plaintiffs, (2) Subrogation Plaintiffs, and (3) Individual Plaintiffs.
15 SCE worked with experienced mediators to reach settlements with all Subrogation Plaintiffs and nearly
16 all Public Entity Plaintiffs that, as of the date of this Application, had brought claims against SCE
17 relating to the Woolsey Fire. In addition, SCE used a Resolution Protocol—developed by the parties and
18 supervised by Retired Los Angeles Superior Court Judge Peter Lichtman¹—to facilitate efficient, cost-
19 effective settlement of the vast majority of Individual Plaintiffs’ claims. Judge Lichtman himself has
20 attested to the reasonableness of the Resolution Protocol, stating “unequivocally” that it “represents ...
21 an exceedingly reasonable approach and methodology in resolving the claims” and that SCE’s “overall
22 approach to settlement has led to a definite cost savings.”² Similarly, Judge Highberger, the presiding
23 judge in the Woolsey Fire coordinated action, extolled SCE’s settlement process as a “whiz-bang
24 success”³ and such demonstrated success has even led to similar protocols being adopted in other
25 wildfire litigation before different judges as well.

26 SCE prudently and successfully pursued settlement because it allowed SCE to avoid the risks,
27 uncertainties, delay, and expense of litigation while reaching reasonable resolution of claims.

¹ Judge Lichtman’s qualifications are described in Section IV.B.

² See Appendix A (Declaration of Honorable Judge Peter D. Lichtman) at pp. 2-3.

³ Dec. 20, 2022 Woolsey Hearing Tr. 13:6-9 (Judge Highberger).

1 Neutralizing such risks through pre-trial settlement is not only prudent, but is also common practice for
2 handling lawsuits of this nature.⁴

⁴ See Jeffrey Johnson, J.D. & Adam Ramirez, J.D., *Personal Injury Settlement Amounts Examples (2023 Guide)*, FORBES, Sept. 22, 2022 (estimating that approximately 95 percent of civil personal injury cases reach settlement).

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II.

BACKGROUND ON LITIGATION AND PLAINTIFF GROUPS

The Woolsey Fire ignited in November 2018 and remained active for 57 days, causing damage to both residential and business properties in two counties and the unfortunate loss of life. According to the California Department of Forestry and Fire Protection (Cal Fire), the Woolsey Fire burned 96,949 acres, destroyed or damaged an estimated 2,007 structures, and resulted in three fatalities.

Beginning in November 2018, and continuing into June 2024 (when the last lawsuit was filed), 656 lawsuits comprising 9,574 plaintiffs were initiated against SCE⁵ in connection with the Woolsey Fire. The plaintiffs included public entities as well as owners, insurers, and renters of residential and commercial properties that were damaged or destroyed in the Woolsey Fire. The lawsuits sought recovery of unspecified amounts of damages, including in some cases, punitive damages.

The three main categories of plaintiffs are as follows:

Public Entities – The 19 public entities (associated with 20 claims)⁶ who sued SCE comprise state agencies, cities, and counties. Their alleged damages include property damage, public resource damage, fire suppression costs, lost tax revenue, overtime costs, prejudgment interest, and attorneys’ fees and costs. The California Office of Emergency Services (Cal OES) sued under equitable subrogation principles to recover disaster assistance payments to state and local entities for wildfire response services.

Subrogation Plaintiffs – 391 insurance companies sought reimbursement from SCE of amounts paid to their insureds for damages arising out of the Woolsey Fire, as well as prejudgment interest and attorneys’ fees and costs.

Individual Plaintiffs – 9,163 Individual Plaintiffs, including people, businesses, and trusts associated with 3,608 households brought claims against SCE. Individual Plaintiffs asserted a variety of damages, including property damage, evacuation costs, alternative living expenses, loss of use, personal injuries, emotional distress, lost income, wrongful

⁵ Edison International was also improperly named in many cases.

⁶ Mountains Recreation and Conservation Authority (MRCA) filed a complaint against SCE for costs relating to park rehabilitation, as well as a separate cross-claim. As of August 31, 2024, this cross-claim remains outstanding. Additionally, as described in SCE-09, SCE has entered into tolling agreements suspending the statute of limitations for claims relating to the Woolsey Fire with the United States Forest Service (USFS) and U.S. National Park Service related to federal land in the Santa Monica Mountains National Recreation Area. As of the date of this Application, the USFS and the U.S. National Park Service have not filed claims against SCE.

1 death, punitive damages, prejudgment interest, and/or attorneys' fees and costs.

2 The Los Angeles Superior Court coordinated the various state lawsuits in Los Angeles Superior
3 Court on February 5, 2019. This allowed for a more efficient litigation process by giving the state court
4 trial judge the authority to order, among other things, master pleadings, coordinated discovery, and
5 bellwether trials,⁷ which allowed SCE to achieve efficiencies in both cost and time by handling
6 plaintiffs' claims on a global basis. On June 12, 2019, SCE demurred to plaintiffs' inverse condemnation
7 claims. On February 13, 2020, the court granted SCE's motion while granting plaintiffs leave to replead
8 their inverse claim more adequately considering the Supreme Court's then-recent decision in *City of*
9 *Oroville v. Superior Court*, 7 Cal. 5th 1091 (2019).⁸

10 While it was pursuing its demurrer against inverse condemnation claims, SCE took other actions
11 in response to plaintiffs' claims. Based on SCE's preliminary investigation into the origin and cause of
12 the Woolsey Fire, on November 19, 2020, SCE filed a cross-complaint against AT&T, alleging that
13 AT&T communication facilities were partially responsible for the secondary ignition and asserting
14 causes of action for contractual and equitable indemnity, contribution, and declaratory relief.
15 AT&T demurred to SCE's cross-complaint, and on March 10, 2021, the court overruled AT&T's
16 demurrer. On April 15, 2021, AT&T filed its own cross-complaint against SCE seeking to recover
17 damages for AT&T facilities in Ventura and Los Angeles Counties damaged or destroyed by the
18 Woolsey Fire, which AT&T initially estimated to exceed \$5.6 million, plus interest and attorneys' fees.
19 As part of its cross-claim, AT&T sought judicial confirmation that AT&T was not legally responsible
20 for any of the damages caused by the Woolsey Fire. On March 18, 2024, SCE and AT&T settled their
21 claims against each other.⁹

22 SCE was also able to obtain the dismissals of certain plaintiffs who would not or could not
23 substantiate their alleged damages. The court ordered Individual Plaintiffs to complete court-mandated
24 damages discovery by November 29, 2019, and to produce documents by December 20, 2019. In April

⁷ A bellwether trial is a common procedural practice in mass tort litigation. Instead of setting hundreds or thousands of plaintiffs' cases for trial, a court will initially set a trial involving a small number of plaintiffs to act as a test case whose results will ideally assist in streamlining future proceedings (such as settlements or additional trials).

⁸ Ultimately plaintiffs did not amend their complaints given most Individual Plaintiffs' entry into a mediation protocol with the Company and the Company's global settlement of the insurers' subrogation claims.

⁹ Cal Fire initially filed claims against both SCE and AT&T related to the Woolsey Fire, but subsequently, Cal Fire voluntarily dismissed its claims against AT&T in May 2022.

1 2023, at SCE’s request, the court set an order to show cause why Individual Plaintiffs that had not
2 submitted the required discovery should not be dismissed. The court eventually dismissed the claims of
3 43 Individual Plaintiffs in 31 households who failed to submit the required discovery. At SCE’s request,
4 on August 30, 2024, the court also dismissed 18 Individual Plaintiffs in 7 households who had opted in
5 to the Resolution Protocol described below and failed to submit their demands by February 2024 as
6 required. Additionally, 484 Individual Plaintiffs in 318 households were voluntarily dismissed.

7 On November 9, 2023, the California state court judge set a liability-only trial date of July 8,
8 2024, for certain plaintiffs that had not opted in to the mediation protocol. SCE settled with several of
9 these plaintiffs, and as of August 31, 2024, only one of these plaintiffs, Cal OES, remains set for trial,
10 which is scheduled for March 10, 2025.¹⁰ As described in Section III below, SCE’s decision to settle
11 cases rather than proceed to trial was prudent given the inherent unpredictability of jury verdicts.

¹⁰ SCE challenged Cal OES’s claim for indirect damages, which the Los Angeles Superior Court rejected. SCE sought early resolution of certain legal issues raised by this decision, and with the support of Cal OES, filed a writ petition to the California Court of Appeal, which was declined; and next, a petition for review to the California Supreme Court, which was also declined. As indicated above, as of August 31, 2024, Cal OES’s claims remain set for trial.

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III.

SETTLING CLAIMS WAS PRUDENT IN LIGHT OF SCE'S LITIGATION RISK

As described herein, SCE prudently began settling claims relating to the Woolsey Fire in December 2019 due to the outsized litigation risk the Company would have faced in hundreds of trials with thousands of plaintiffs alleging strict liability inverse condemnation, among other causes of action. The Company's decision to pursue a settlement strategy in late 2019 rather than proceed to trial was driven by a number of factors. As an initial matter, individually trying the cases of many thousands of plaintiffs was never a viable option.¹¹ Given that some type of settlement with at least some plaintiffs' was the only practical way forward, SCE was reasonable in negotiating settlements with each plaintiffs' group, as well as a Resolution Protocol with Individual Plaintiffs, relatively early in the course of the litigation and before any trial. SCE's settlement strategy was driven in significant part by the California legal doctrine of inverse condemnation, which allows plaintiffs to establish liability for property damages even without showing that the utility was negligent.

A. California's Legal Doctrine of Inverse Condemnation Dramatically Increases Utilities' Risk of an Adverse Liability Finding at Trial

The current law in California regarding inverse condemnation is highly unfavorable to utilities. SCE challenged this law in an appeal at the California Court of Appeal relating to the Thomas Fire litigation, but was unsuccessful.¹² It was prudent for SCE to pursue a reasonable settlement strategy in light of the precedent, affirmed by the California Court of Appeal, allowing property owners who suffer wildfire damages caused by utility equipment to file claims against investor-owned utilities under the legal doctrine of inverse condemnation. If a wildfire is substantially caused by a utility's equipment, property owners can seek compensation for their property losses, including diminution in the value of their property, any physical damage to their property, and loss of business goodwill.¹³ Under this

¹¹ SCE explored the potential for a global settlement with Individual Plaintiffs. SCE ultimately chose not to pursue that effort because, in part, SCE would not have been able to meaningfully evaluate claimed damages under a global settlement for Individual Plaintiffs as SCE had done for Public Entities and Subrogation Plaintiffs.

¹² See *Simple Avo Paradise Ranch, LLC v. So. Cal. Edison Co.*, 102 Cal.App.5th 281 (Cal. Ct. Appeal) (2024) (affirming the trial court's dismissal of SCE's demurrer on the grounds that privately-owned utilities such as SCE can be held liable for inverse condemnation), *review denied* (Aug. 28, 2024).

¹³ See *Ratepayer Impacts of Strict Liability*, The Public Advocates Office, April 7, 2023, available at <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/230407-caladvocates-wildfire-safety-inverse-condemnation-policy-paper.pdf>; *Barthelemy v. Orange*

(Continued)

1 doctrine, investor-owned utilities are liable for property damage resulting from wildfires associated with
2 utility facilities regardless of whether or not the utility's conduct was reasonable and regardless of
3 whether the utility complied with safety standards and regulations. This effectively results in strict
4 liability for the utility and dramatically increases the risk that a utility will be found liable to civil
5 plaintiffs at trial. Moreover, because attorneys' fees and prejudgment interest are recoverable on an
6 inverse condemnation claim, plaintiffs' ability to invoke inverse condemnation increases the magnitude
7 of damages plaintiffs may be awarded after a protracted litigation resulting in a jury verdict.

8 In the face of strict liability under the doctrine of inverse condemnation, it is reasonable and less
9 costly to settle legal claims (where the parties can agree to a reasonable settlement amount), rather than
10 proceed to lengthy and protracted trials where the damages are likely to be greater due to accruing
11 prejudgment interest and attorneys' fees that plaintiffs may seek to recover on inverse condemnation
12 claims (in addition to the increased cost for the utility's own legal fees to proceed through trial).
13 When inverse condemnation is at issue, settlement at a reasonable amount is often the most prudent
14 approach even where the utility acted reasonably in its underlying design, inspection, operation, and
15 maintenance of its system. Indeed, it is often prudent for the utility to settle rather than fully litigate all
16 types of claims, depending on a reasonable evaluation of the costs of litigating and the risks of loss,
17 because all litigation is costly in time, money, and attention, and even the strongest case carries a risk of
18 loss.

19 Here, as described in SCE-03, SCE believes that it prudently designed, inspected, maintained,
20 and operated the facilities in the areas near the Woolsey Fire ignition and developed and implemented
21 reasonable and prudent programs to mitigate wildfire risks across its service area. Accordingly, SCE
22 asserts that it was not negligent with respect to the facilities alleged to have been associated with the
23 Woolsey Fire. Yet, because California's inverse condemnation doctrine requires a utility to pay for
24 property damages (plus interest and attorneys' fees) stemming from a wildfire caused by its equipment
25 regardless of the utility's negligence (or lack thereof), a liability finding as to plaintiffs' property
26 damages was very likely with respect to property damages arising out of the Woolsey Fire.

27 **B. Additional Factors Contributing to SCE's Litigation Risk Arising Out of the Woolsey Fire**

28 Aside from facing unfavorable inverse condemnation law, additional factors also contributed to
29 SCE's reasonable decision to pursue settlement of plaintiffs' claims prior to a trial.

Cnty. Flood Control Dist., 65 Cal.App.4th 558, 76 Cal.Rptr.2d 575 (1998) (discussing damages available on an inverse condemnation claim).

1 First, proceeding to trial on plaintiffs' claims carried the risk of anomalous, outsized jury awards
2 that could have increased the cost of later settlements (and thus could have exacerbated the total amount
3 of reimbursements SCE would seek from its customers). All trials carry risk, and here the risk was
4 heightened due to the nature of many plaintiffs' alleged damages. At trial, jurors could sympathize with
5 plaintiffs who lost their homes and personal belongings, or who would testify that they were impacted
6 physically or emotionally, which carries the risk that a jury will seek to help the claimant regardless of
7 the legal standard or any mitigating factors. For these reasons, jury verdicts are inherently unpredictable
8 and can result in outsized awards. For example, across just three jury trials, PacifiCorp has already been
9 ordered to pay a combined total of approximately \$217 million to only 36 plaintiffs in connection with a
10 series of fires alleged to be associated with its facilities following a Labor Day 2020 wind event.¹⁴
11 Although those verdicts are subject to appeal, this experience shows the risk of proceeding to trial.
12 With more than 9,500 plaintiffs, SCE prudently pursued a settlement strategy to avoid these types of
13 outsized jury awards.

14 Second, SCE was motivated to settle claims relatively early in litigation because SCE believed
15 that the size of settlements generally increased as time passed.¹⁵ This trend was likely due to many
16 factors, including (i) rising expectations from plaintiffs and higher jury awards post-COVID, (ii) rising
17 construction costs,¹⁶ and (iii) increasing leverage for plaintiffs due to the court's unwillingness to
18 postpone trials (as compared to when SCE entered into the Resolution Protocol, when the COVID
19 pandemic made the prospect of trial uncertain).

20 Third, the Ventura County Fire Department (VCFD) and Cal Fire determined that SCE's
21 equipment was involved in the ignition of the Woolsey Fire. And although SCE determined that it was
22 prudent with respect to its facilities in the Woolsey Fire burn area, the CPUC Safety and Enforcement
23 Division (SED) asserted alleged violations with respect to these facilities. Had plaintiffs' claims

¹⁴ See U.S. News & World Report, *PacifiCorp Ordered to Pay Oregon Wildfire Victims Another \$42M. Final Bill Could Reach Billions* (Mar. 5, 2024) (describing the following three, separate jury awards: (1) \$42 million awarded to ten plaintiffs in March 2024; (2) \$85 million awarded to a different set of nine plaintiffs in January 2024; and (3) \$90 million awarded to seventeen homeowners in June 2023).

¹⁵ This was an observed trend and is not intended to reflect upon any individual claim, settlement for which is always pursued based on the merits of that specific claim and other individualized factors.

¹⁶ See, e.g., DGS California Construction Cost Index CCCI, available at <https://www.dgs.ca.gov/RES/RESOURCES/Page-Content/Real-Estate-Services-Division-Resources-List-Folder/DGS-California-Construction-Cost-Index-CCCI>.

1 proceeded to trial, jurors would have heard and considered government investigators' testimony on that
2 subject, and while not determinative, it could have swayed a jury's findings.

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IV.

DESCRIPTION, BY PLAINTIFF CATEGORY, OF SCE'S REASONABLE SETTLEMENT PROCESSES

As noted above, starting within mere days of the ignition of the Woolsey Fire and before it was even extinguished, plaintiffs filed claims in litigation against SCE for alleged damages incurred in connection with the Woolsey Fire. Over the course of more than five and a half years, SCE has settled claims with 8,460 of the more than 9,500 plaintiffs, including all Subrogation Plaintiffs and nearly all Public Entity Plaintiffs that, as of the date of this Application, had brought claims against SCE relating to the Woolsey Fire, and 8,051 out of 9,163 Individual Plaintiffs.¹⁷ In total, plaintiffs with settled claims have asserted aggregated damages they valued at nearly \$16 billion,¹⁸ and only through diligent work to negotiate reasonable settlement values did the Company ultimately pay approximately \$5.712 billion to settle those claims.¹⁹ Each household's claim was reviewed and resolved individually based on the merits of the specific claim, evidence to support the claim, legality and applicability of the claimed damages, and a number of related individualized factors. Settlement amounts have ranged from 1 to 100 percent of the demand based on these individual factors and settlements are not negotiated based on a percentage of a demand; but in aggregate, the settlements have averaged approximately one-third of the aggregated demands. As of August 31, 2024, SCE has successfully resolved all but 567 Individual Plaintiffs' (associated with 235 households) claims and two Public Entity Plaintiffs' claims.²⁰

¹⁷ Specifically, there were 9,574 total plaintiffs made up of 9,163 Individual Plaintiffs, 391 Subrogation Plaintiffs, and 20 claims by Public Entity Plaintiffs. The 9,163 Individual Plaintiffs were associated with 3,608 households. Of the 9,163 Individual Plaintiffs (3,608 households), SCE has settled claims with 8,051 Individual Plaintiffs (3,017 households), claims with 545 Individual Plaintiffs (356 households) were dismissed, and claims with 567 Individual Plaintiffs (235 households) (equal to approximately 6 percent of all Individual Plaintiff claims initiated) remained unresolved as of August 31, 2024. SCE has settled all 391 Subrogation Plaintiff claims. SCE has also settled 18 of the 20 claims that, as of the date of this Application, Public Entity Plaintiffs had brought against SCE relating to the Woolsey Fire. Cumulatively, as of August 31, 2024, SCE has thus achieved settlements with 8,460 total plaintiffs.

¹⁸ This is the aggregated amount of damages demanded by claimants with settled claims. SCE has excluded the amount demanded by claimants whose claims were dismissed or remain active. SCE further notes that not all plaintiffs with active claims have submitted a demand to date.

¹⁹ As of August 31, 2024, the total amount that SCE has paid to settle claims arising from the Woolsey Fire is \$5.712 billion, of which approximately \$3.01 billion is for settlements with Individual Plaintiffs, approximately \$2.43 billion is for subrogation settlements, and approximately \$269 million is for settlements with Public Entity Plaintiffs. These amounts are the gross settlement payments before the application of wildfire insurance or the SED Administrative Consent Order permanent disallowance.

²⁰ See SCE-09 at Section II.F.1 for a description of outstanding claims.

1 **A. Settlement with Public Entities**

2 In December 2019, SCE²¹ reached its first global settlement, for \$210 million, to resolve a
3 consolidated complaint filed by certain Public Entity Plaintiffs in California Superior Court regarding
4 the Woolsey Fire.²² The signatories to the agreement that had claims relating to the Woolsey Fire were
5 the: (1) City of Malibu; (2) County of Los Angeles; (3) Los Angeles County Flood Control District;
6 (4) Consolidated Fire Protection District of Los Angeles County; (5) County of Ventura; (6) Ventura
7 County Watershed Protection District; (7) Ventura County Fire Protection District; (8) City of Agoura
8 Hills; (9) City of Westlake Village; (10) City of Calabasas; (11) City of Hidden Hills; (12) Conejo
9 Recreation & Park District; (13) Conejo Open Space Conservation Agency; (14) Rancho Simi
10 Recreation & Park District; and (15) City of Thousand Oaks.

11 Some of these Public Entities had asserted claims for reimbursement of funds provided to them
12 by the Federal Emergency Management Agency (FEMA) and Cal OES for emergency and public
13 assistance projects. And some of these Public Entities had also sought property damage, public resources
14 damage, fire suppression costs, lost tax revenue, overtime costs, fire cleanup costs, prejudgment interest,
15 and attorneys' fees and costs, among other damages. A global settlement with these fifteen Public
16 Entities was achieved through a mediation presided over by the Honorable Jay C. Gandhi (ret.) of
17 Judicial Arbitration and Mediation Services (JAMS), a private dispute resolution service. Judge Gandhi
18 had previously served for eight years as a United States Magistrate Judge for the Central District of
19 California, the nation's largest federal court. He oversaw the court's Alternative Dispute Resolution
20 program. This mediation process included the submission of numerous expert presentations from both
21 sides. After exchanging several confidential demands and offers in arm's length negotiations, the parties
22 were able to agree on a settlement after a lengthy mediation.

23 Next, in December 2020, SCE reached a settlement with the Mountains Recreation and
24 Conservation Authority (MRCA) for \$20 million to resolve a complaint filed by MRCA for costs related
25 to the restoration of thousands of acres of parkland allegedly damaged by the Woolsey Fire.
26 This settlement was achieved through several days of mediation sessions presided over by the Honorable
27 Retired Judge Gandhi.

²¹ SCE's parent company, Edison International, was also a party to the settlement.

²² Under the settlements, SCE agreed to pay a total of \$360 million, of which \$150 million was allocated to the 2017 Thomas Fire and 2018 Montecito debris flow events and \$210 million was allocated to the Woolsey Fire. Cost recovery for claims relating to the 2017 Thomas Fire and 2018 Montecito debris flow events is addressed in A.23-08-013 and is not part of this Application.

1 Next, in March 2024, SCE reached a settlement with Cal Fire for \$38.5 million to resolve a
2 demand by Cal Fire for reimbursement of fire suppression costs, fees and interest. This settlement was
3 achieved through years of negotiations with Cal Fire, beginning with a formal mediation in Fall 2021
4 overseen by the Honorable Retired Judge Gandhi, which was unsuccessful. Thereafter, SCE engaged in
5 multiple direct negotiations with Cal Fire, which ultimately successfully concluded in a settlement.

6 In total, as of August 31, 2024, SCE has paid approximately \$269 million to Public Entity
7 Plaintiffs in connection with the Woolsey Fire, which represents approximately one-third of the amount
8 sought by these Public Entities. SCE made no admission of wrongdoing or liability in any of these
9 settlements. These settlements with Public Entities were a reasonable compromise recognizing the risks
10 of litigation.²³

11 **B. Global Settlement with Subrogation Plaintiffs**

12 More than one year after entering into a global settlement with most Public Entity Plaintiffs, SCE
13 entered into a global settlement in January 2021 with a group of insurance companies exercising
14 subrogation rights on account of claims paid to their insureds (the Subrogation Plaintiffs). Under the
15 subrogation claims settlement, Subrogation Plaintiffs received an aggregate amount of \$2.2 billion for
16 claims based on payments insurers had already made to individual and business policyholders associated
17 with the Woolsey Fire, which reflected a substantial discount of the total payments to policyholders.
18 SCE also agreed to pay additional amounts for claims arising from future payments made to
19 policyholders prior to July 15, 2023, up to an agreed-upon cap (with supporting documentation due by
20 August 31, 2023). In total, as of August 31, 2024, SCE has paid approximately \$2.43 billion to settle
21 Subrogation Plaintiffs' claims.

22 SCE engaged in multiple rounds of negotiations in order to globally settle Subrogation Plaintiffs'
23 claims. Negotiations were facilitated by the Honorable Retired Judge Peter Lichtman. Judge Lichtman
24 previously served as head of the Los Angeles County Superior Court's Mandatory Settlement Program.
25 He was also one of the founders of the Superior Court's Complex Civil Litigation program, and twice
26 served as its supervising judge. Before joining Signature Resolution, a private alternative dispute
27 resolution firm, Judge Lichtman's legal career had spanned 40 years as a practitioner, judge, mediator
28 and arbitrator. Settlement negotiations began in October 2020, and the hard-fought settlement was

²³ In addition to the settlements described in this Section IV.A, SCE also settled a very small claim with the California Department of Veteran's Affairs in April 2020, as part of a joint settlement for claims arising from the Thomas and Woolsey Fires.

1 achieved on January 22, 2021, following the parties' adoption of a mediator's proposal put forth by
2 Judge Lichtman.

3 SCE expended substantial efforts to evaluate and negotiate Subrogation Plaintiffs' claims, and as
4 a result was able to achieve a significant reduction on Subrogation Plaintiffs' initial demand. In order to
5 evaluate the claims, SCE first obtained Subrogation Plaintiffs' claims data by insurer, expressed as,
6 among other information, individual claims paid and claims reserved. During the mediation process,
7 SCE carefully analyzed the insurance carriers' claimed damages and negotiated reductions, including
8 by: (1) auditing certain claims to ensure they were located within the fire perimeter or the areas where
9 properties were affected by smoke and ash; (2) confirming that no duplicate claims had been submitted;
10 (3) reviewing claims files to determine discounts for various categories of coverage payments; and
11 (4) comparing a random selection of claims against the underlying claims files to ensure consistency and
12 accuracy. SCE also exchanged confidential liability analyses with Subrogation Plaintiffs to preview the
13 Company's liability defenses in aid of achieving a reasonable settlement.

14 As a result of these extensive negotiations, which spanned several months, SCE was able to
15 settle the 391 Subrogation Plaintiffs' claims (collectively comprising thousands of insureds) for \$0.67 of
16 each dollar in claims paid by Subrogation Plaintiffs to policyholders. As described above, under the
17 settlement agreement, SCE also agreed to pay at the same rate any future claims for which the insurance
18 companies had reserved that converted to actual paid claims before July 15, 2023, up to a negotiated cap
19 for each carrier. Where Subrogation Plaintiffs have from time to time attempted to submit claims above
20 the negotiated cap, SCE has denied those claims. SCE made no admission of wrongdoing or liability in
21 connection with the settlement.²⁴

22 **C. Resolution Protocol for Settlements with Individual Plaintiffs**

23 In addition to settling nearly all Public Entity and Subrogation Plaintiffs' claims, SCE also
24 sought to limit its litigation costs and potential exposure by mediating and resolving Individual
25 Plaintiffs' claims on reasonable terms quickly and efficiently before trial. Previously, a resolution
26 protocol had been developed to resolve claims relating to the 2017 Thomas Fire and 2018 Montecito
27 debris flow events. Given the significant work and negotiation that went into developing this prior
28 resolution protocol, as well as its demonstrated success, SCE and counsel for various Individual

²⁴ The insurers were incentivized to carefully review and analyze each insured's claim before making any payouts. The fact that a third party interested in the outcome (the insurer) affirmed the validity and amounts of the underlying insureds' claims further supports SCE's determination that the claims were valid.

1 Plaintiffs agreed to adopt a substantially similar Resolution Protocol for the Woolsey Fire. With the
2 assistance of Judge Lichtman, on February 24, 2021 (nearly four months after adoption of the resolution
3 protocol for the 2017 Thomas Fire and 2018 Montecito debris flow events), SCE and Individual
4 Plaintiffs finalized the Resolution Protocol for the Woolsey Fire.

5 The purpose of the Resolution Protocol was to provide an alternative dispute resolution process
6 through which Individual Plaintiffs' claims could be efficiently resolved. The Resolution Protocol
7 established a standing offer to all Individual Plaintiffs to opt into a process that guaranteed resolution of
8 their claims through first informal negotiations or non-binding mediations, and if that failed, either
9 binding mediation or a damages-only trial.

10 **1. Benefits of the Resolution Protocol for SCE and Individual Plaintiffs, and**
11 **Validation of the Resolution Protocol's Success**

12 The Resolution Protocol has four key features that have allowed SCE to fairly and
13 efficiently resolve Individual Plaintiffs' claims. First, each Individual Plaintiff who opts in to the
14 Resolution Protocol agrees to furnish SCE with a completed Resolution Demand Template and
15 Checklist describing that plaintiff's damages in detail and providing supporting documentation,
16 including expert reports which are not otherwise required under California law. *See* Appendix B.
17 Second, Individual Plaintiffs who opt in to the Resolution Protocol waive both their rights to a trial on
18 liability and their potential claims for punitive damages. Third, Individual Plaintiffs who opt in to the
19 Resolution Protocol may only proceed to trial on damages where the Special Master determines that the
20 plaintiff (i) attempted in good faith to resolve claim(s) through the settlement program and (ii) was
21 unable to resolve the claim(s) despite good faith efforts. This damages-only trial would focus on
22 assessing the appropriate amount of compensatory damages to be awarded to the opt-in plaintiff.
23 The Company agreed as part of the Resolution Protocol that it will not contest liability with respect to
24 the Woolsey Fire for those plaintiffs who opt in, without admitting liability, fault, or negligence.²⁵
25 Opt-in plaintiffs may also instead elect to proceed to a binding mediation on damages in lieu of a
26 damages-only trial. Fourth, the Special Master, and not the trial court with its full docket of other cases,

²⁵ Though SCE believes that it prudently designed, inspected, maintained, and operated its facilities in the areas near the Woolsey Fire ignition, and therefore does not believe that it was negligent with respect to the facilities alleged to have been associated with the Woolsey Fire, a damages-only Resolution Protocol was prudent for the reasons discussed in Section III above. Additionally, mediating liability as to more than 9,500 Individual Plaintiffs' claims would have been highly inefficient and impractical, and would have increased SCE's own costs and plaintiffs' costs for which SCE faced responsibility.

1 is charged with efficiently resolving disputes and overseeing the mediation process under the Resolution
2 Protocol.²⁶ The parties agreed to have Judge Lichtman appointed as the Special Master of the Resolution
3 Protocol.²⁷

4 The Resolution Protocol has provided multiple advantages to SCE in comparison to
5 taking all or even some of Individual Plaintiffs' cases to trial. For example, it has allowed SCE to
6 achieve finality with settlements in the vast majority of cases,²⁸ thus avoiding the expense and
7 uncertainty of trials and subsequent appeals. Moreover, most Individual Plaintiffs agreed to support a
8 trial continuance as a result of SCE entering into the Resolution Protocol, which has reduced the costs of
9 extensive and expensive discovery and trial preparation, and risk of a future trial. Finally, using a former
10 judge rather than a jury to resolve cases typically has more predictable outcomes, particularly where, as
11 here, the plaintiffs agreed to waive punitive damages as a condition of SCE agreeing to mediate under
12 the Resolution Protocol.²⁹ And notably, the Resolution Protocol also offered Individual Plaintiffs a more
13 expedient and efficient pathway to resolution and fair reimbursement than a trial process would have
14 required.

15 San Diego Gas & Electric Company (SDG&E) resolved civil litigation following the
16 2007 wildfires in its service territory by implementing a similar process to that which SCE implemented
17 in the Woolsey Fire cases. In evaluating the reasonableness of the similar SDG&E mediation process,
18 the Federal Energy Regulatory Commission determined as follows:

²⁶ Outside of the Resolution Protocol, SCE also resolved cases with 553 Individual Plaintiffs (associated with 236 households) who chose not to formally opt in. The process for these settlement discussions was nonetheless substantially similar to the process for mediating with opt-in plaintiffs. Those Individual Plaintiffs who opted in were typically given priority in terms of scheduling mediations over those who chose not to opt in.

²⁷ Judge Lichtman's qualifications are described above in Section IV.B.

²⁸ SCE also notes the considerable success of its mediation program, as evidenced by the fact that, for Individual Plaintiffs that attended a mediation under the Resolution Protocol, settlement was achieved—either through initial mediation, follow-up discussions after mediation, or binding mediation—with more than 98 percent of plaintiffs.

²⁹ SCE does not believe that plaintiffs would have been entitled to punitive damages. Though SCE would have had a strong basis to challenge punitive damages at the summary judgment stage, the outcome of any summary judgment motion is always uncertain; the Resolution Protocol therefore eliminated the risk, albeit a small risk, of one or more potentially outsized punitive damages awards.

1 [I]t is clear that [the utility's] proactive steps in settling the ... third-party damage
2 claims were justified since they would have been exposed to strict liability in any
3 event. By settling, [the utility] avoided facing considerable litigation risk and
4 disposed of the claims for significantly less than the amount demanded by claimants.
5 Therefore, I [the Administrative Law Judge whose decision became final] find [the
6 utility's] conduct was rational and prudent.³⁰

7 The same can be said of SCE's settlement of claims pursuant to the Resolution Protocol.

8 The Resolution Protocol has also been validated by the presiding judge in the underlying
9 coordinated state court action,³¹ Judge Highberger, and by the presiding judges in the litigation arising
10 out of the 2017 Thomas Fire and 2018 Montecito debris flow events. In the Woolsey Fire coordinated
11 action, the parties have been required to provide periodic updates to the court regarding the status and
12 success rate of the Individual Plaintiff mediation program. On numerous occasions, the courts have
13 extolled the success of the Resolution Protocol as well as the nearly identical program SCE is using in
14 the 2017 Thomas Fire and 2018 Montecito debris flow cases. For example:

- 15 • **Feb. 15, 2022 Thomas Hearing Tr. 16:3-7 (Judge Buckley):** “[Edison’s mediation
16 process] has been a spectacular success; I definitely agree with you on that...it’s a
17 spectacular success in a case of over 5,000 people, hundreds and hundreds of, or I
18 think thousands, of households.”
- 19 • **Dec. 20, 2022 Woolsey Hearing Tr. 13:6-9 (Judge Highberger):** “[The Resolution
20 Protocol] does seem to have been a whiz-bang success. And I hope that, for those
21 who have opted in, it will continue to be a success.”
- 22 • **May 18, 2023 Thomas Hearing Tr. 23:14-17 (Judge Highberger):** “It is a very
23 desirable flow. I am pleased with your flow of settlements ... [and] you have
24 wonderful throughput.”

25 Judge Lichtman also submitted a declaration to the Superior Court in July 2021
26 characterizing the Resolution Protocol for the Woolsey Fire as a “resounding success” and stating that it
27 is “functioning perfectly,” “damages are calculated in various fashions with an overlay from those cases
28 which govern the law of inverse,” and “[Edison] wanted the ability to have counsel bargain in good faith

³⁰ *San Diego Gas & Electric Co.*, Initial Decision and Order Granting SDG&E Motion for Summary Disposition, But Denying SDG&E Motion to Terminate, 146 FERC ¶ 63,017 at P 62 (2014).

³¹ The litigation was coordinated in the proceeding Woolsey Fire Cases, Case No. JCCP 5000, Superior Court of the State of California, County of Los Angeles.

1 so as to earnestly and efficiently seek resolutions vis a vis a mountain of claims.” He also stated in the
2 same declaration that “even the most efficient trial judge can only accomplish 15-16 trials per year on
3 the civil side versus a settlement protocol designed to handle hundreds per month.”

4 Because of SCE’s diligence in negotiating a rational protocol, the amounts SCE settled
5 each Individual Plaintiff’s claim were highly reasonable.³² When settlements with all categories of
6 plaintiffs are viewed collectively, SCE has ultimately resolved claims for approximately one-third of
7 plaintiffs’ aggregate demands.³³

8 **2. Process for Resolving Claims Under the Resolution Protocol**

9 SCE began mediating claims under the Resolution Protocol in March 2021. Pursuant to
10 the detailed steps outlined in the Resolution Protocol, SCE thoroughly evaluated, investigated, and
11 validated the reasonableness of plaintiffs’ demands with the goal of resolving each claim for a fair
12 amount. The process for resolving claims under the Resolution Protocol is summarized below.

13 **a) Plaintiff Submits a Complete Demand Package and a Mediation is Scheduled**

14 The process begins when an Individual Plaintiff who has opted in to the
15 Resolution Protocol submits a household-comprehensive demand package to SCE’s outside counsel.
16 The demand package describes the claims and provides supporting documentation, including in some
17 instances plaintiffs’ expert valuations of claimed damages, third-party invoices and/or estimates for
18 repairing/replacing damaged items, pre- and post-fire photographs of damaged real property, personal
19 property and vegetation, and other required information. The demand package must include the required
20 Resolution Demand Template and Checklist and a verification signed by the plaintiff(s) confirming that
21 the provided information is accurate to the best of their knowledge. *See* Appendix B. If the package is
22 incomplete, SCE will object under the protocol and request missing information. SCE also evaluates
23 whether the plaintiff has submitted a duplicate claim in this initial phase.³⁴ Plaintiffs cannot move
24 forward in the mediation process without responding to SCE’s objections and providing missing

³² As with the subrogation claims, settlements involving insured plaintiffs whose insurer covered at least some losses were also reasonable because of the fact that a third party interested in the outcome affirmed the claims, at least in part. *See* note 24, *supra*.

³³ This statistic relates to the amount of damages demanded by and paid to plaintiffs with settled claims. SCE has excluded from this analysis claims that were dismissed or that remain active.

³⁴ SCE developed a central repository to collect and analyze information about plaintiff’ claims in aid of gathering information about plaintiffs’ claims and preventing duplicate claims.

1 documentation. When the demand package is deemed complete and validated, a plaintiff will be
2 scheduled for a mediation.

3 **b) Analysis and Additional Discovery as Needed is Conducted on Each**
4 **Plaintiff's Damages Claim**

5 In order to ensure that every settlement SCE enters into is reasonable, after
6 receiving the plaintiff's demand package, SCE's attorneys, experts and consultants conduct a thorough
7 analysis of each plaintiff's claim on an individual basis. The extent of the investigation and validation
8 that is required varies from plaintiff to plaintiff, but generally speaking, SCE first evaluates the demand
9 to determine whether to request additional discovery before the scheduled mediation date. For claims
10 involving significant real property damage, SCE schedules site inspections that are attended by relevant
11 subject matter experts and appraisers. To the extent plaintiffs provide estimates of costs to rebuild
12 damaged property, SCE also demands substantiation to verify actual rebuild costs. SCE also may take
13 depositions of plaintiffs when necessary.

14 Depending on the amount and/or type of damages demanded, SCE will retain
15 damages experts to review the demands and supporting documentation provided for the claimed
16 amounts and/or develop additional evidence relevant to the claimed damages, and retain the appropriate
17 subject matter experts to help evaluate the claims. As explained in SCE-06, the types of damages experts
18 and consultants that are necessary to support this process include damage experts in the areas of personal
19 property loss; art and jewelry appraisal and restoration; automobile appraisal; trees, landscaping, and
20 agricultural damage (including vineyard and avocado, citrus, and olive tree loss); business loss; real
21 estate appraisal; construction forensics and reconstruction costs; smoke and ash damage; internal
22 medicine (including pulmonary specialists and other types of medical doctors); and mental and
23 emotional distress, among others. In particular, due to the type of damages at issue, real estate
24 appraisers and experts and consultants in the area of lost income (business loss and agricultural losses)
25 are heavily utilized.

26 In addition to the demand packages and any additional discovery requested from
27 plaintiffs after the demand package is evaluated, SCE's experts and consultants will also look at
28 additional forms of data when preparing their mediation reports. With respect to claims covered by
29 plaintiffs' insurance, the Resolution Protocol gives SCE the right to net the insurance recoveries in full
30 from the total claim, which is a safeguard to prevent double recovery. SCE generally has the plaintiffs'
31 complete insurance files and the insurance companies' reported payments, so its experts review these

1 insurance files for information regarding damages. This enables SCE to hold plaintiffs to statements
2 they made to their insurers to the extent that they differed from claims they made in their demands to
3 SCE. SCE's experts also independently validate plaintiffs' claims against information such as ownership
4 records, zoning, building permits, market research, employment records, tax returns, satellite imagery,
5 personal property records and other publicly available data. Additionally, SCE often compares plaintiffs'
6 asserted damages against internal data that SCE has compiled regarding prior claims specific to
7 neighborhood, property, and loss types.

8 After completing a thorough analysis of each plaintiff's demand package as well
9 as any additional relevant information, SCE's experts and consultants prepare damages reports in
10 anticipation of the mediation. These reports are then provided to SCE's counsel to assist them in drafting
11 mediation briefs and preparing for the mediation.

12 **c) The Parties Participate in a Non-Binding Mediation**

13 After SCE's experts and consultants complete their work, SCE attorneys review
14 and analyze plaintiffs' demand, SCE's experts' reports, and any relevant documentation. The attorneys
15 then address any inconsistencies or clarifications needed with SCE's experts, and the expert reports are
16 revised, as necessary. SCE then submits a mediation brief to the mediator in which SCE outlines its
17 factual and legal positions. Where appropriate, SCE includes legal arguments pointing out errors in
18 plaintiffs' views on California law with respect to damages. Plaintiffs' counsel submits their own briefs
19 to the mediator. For high demand claims, special damages reports are prepared and used. SCE often
20 prepares slide presentations for the mediation, which focus on high-value claims in a group.³⁵
21 Where feasible and beneficial in the assessment of the negotiating team, such as for lower monetary-
22 value cases like smoke-and-ash, SCE may conduct pre-mediation negotiation with plaintiffs' counsel.
23 In those cases where direct negotiations were successful, which accounted for 5-10% percent of total
24 cases, the cost of a mediation session is avoided.³⁶

25 In terms of the mediation itself, the process generally follows a repeatable
26 procedure. The Resolution Protocol governs the selection of mediators and provides the plaintiff the

³⁵ As described below in this Section IV.C.2(c), mediations were often grouped by household and multiple households were allowed to participate in a single joint mediation, although any resulting settlement was reached on an individual household basis.

³⁶ In all such cases, SCE took appropriate steps to ensure that those settlements were reasonable and prudent based on the documentation provided, the amount of plaintiffs' demands, and the settlement discount negotiated.

1 option to (a) select the mediator of plaintiff's choice from the list of pre-approved mediators included in
2 the Resolution Protocol or (b) request to use a different mediator with mutual agreement by SCE.
3 Most of the pre-approved mediators are retired judges employed by one of two well-respected
4 alternative dispute resolution firms: Signature Resolution or JAMS. Which mediators to include on this
5 list of pre-approved mediators was the subject of intense arm's length negotiations between SCE and
6 plaintiffs' counsel leadership and any alternative mediators requested by plaintiffs were similarly
7 thoroughly vetted. Once selected, the mediator presides over the sessions, which typically last a half day
8 (four hours) or a full day (eight hours) depending on the number of claims and their complexity.
9 For every mediation, SCE sends a legal executive paired with outside counsel. For approximately the
10 first year of the mediation process, SCE's Assistant General Counsel of Litigation attended all mediation
11 sessions, and thereafter, some mediation sessions were attended by the Director and Managing Attorney
12 of Claims Litigation. In addition, due to the risk that precedent could be set by settlement valuations
13 early in the process, SCE's Senior Vice President and General Counsel and the Senior Vice President
14 and Chief Financial Officer also attended most mediations that first year. A mediation session often
15 includes multiple households represented by the same plaintiffs' counsel. This approach has been used
16 more than 90 percent of the time; some mediations involve as many as 20+ households, and SCE
17 routinely resolves multiple claims in even a half day mediation, but ultimately reaches resolution on an
18 individual household basis. To the extent SCE finds that some households assert unreasonable and/or
19 unsupported demands, SCE considers removing them from a given mediation session and revisiting
20 them alone or at a future session after the claims can be reevaluated.

21 For larger cases, or if a reasonable request was made by plaintiffs' counsel, cases
22 are mediated on an individual basis. Both sides present their case to the mediator, and sometimes joint
23 sessions are held during which the plaintiff and SCE, and their experts, exchange information and are
24 given opportunities to follow up on outstanding issues or concerns. The mediators weigh in on the
25 reasonableness of the claims and the credibility of the plaintiffs and work hard to facilitate a settlement.
26 Even most high monetary-value individual cases are settled after no more than a one-day session.

27 After a successful mediation, a draft confidential settlement agreement and
28 release is circulated. Any requested changes or clarifications are worked out before signing.
29 Within about one week of the effective date of settlements, plaintiffs provide requests for dismissal to be
30 held in trust until payment. SCE endeavors to make payments under executed agreements within 30-45
31 days, and the payment amounts generally reflect a black box settlement inclusive of attorneys' fees and

1 costs, economic damages (real property, landscaping, personal property, lost income, medical bills, etc.),
2 prejudgment interest, and, where applicable, non-economic damages. Upon confirmation by plaintiffs
3 that payment was received, SCE files requests for dismissal for those plaintiffs.

4 As part of the settlements, plaintiffs also generally agreed to close their insurance
5 claims. Efforts to close insurance claims files were designed to prevent plaintiffs from seeking more in
6 insurance than taken as an offset in the mediation. After the settlement agreement was signed, SCE
7 counsel also notified subrogation counsel of all plaintiffs who have agreed to permanently close their
8 claim files.

9 The mediation process was greatly assisted by the continuity of Judge Lichtman
10 as the Special Master. Together with SCE's in-house team of claims representatives, this continuity
11 helped facilitate a repeatable and efficient process by which the parties were able to reach reasonable
12 settlement outcomes. As a result, the vast majority of Individual Plaintiffs' claims to-date have settled
13 through informal settlement discussions or non-binding mediations.³⁷

14 **d) If a Claim Does Not Settle in a Non-Binding Mediation, a Binding Mediation**
15 **or Damages-Only Trial Proceeds Only if the Plaintiff has Mediated in Good**
16 **Faith**

17 In relatively few instances,³⁸ the non-binding mediation is not successful, and
18 several next steps may occur. The parties may continue to informally mediate the claims, with or
19 without the help of a mediator. Another non-binding mediation may be scheduled. In rare cases, the
20 parties pursue a mandatory settlement conference with the court, which usually is only for cases
21 involving Individual Plaintiffs who did not opt in to the Resolution Protocol. A plaintiff who has opted
22 in to the Resolution Protocol also has the option to proceed to a binding mediation or a damages-only

³⁷ As described above in Section IV, SCE has achieved settlement with 8,051 of the 8,618 Individual Plaintiffs (or 3,017 of the 3,252 households), not inclusive of plaintiffs whose claims were dismissed. Of these 8,051 Individual Plaintiffs' settlements (associated with 3,017 households), 7,498 settlements (associated with 2,781 households) were achieved through the Resolution Protocol and 553 settlements (associated with 236 households) were achieved with plaintiffs that had not formally opted in to the Resolution Protocol. As described in Section IV.C.1, the settlement process for plaintiffs that did not formally opt in to the Resolution Protocol was substantially similar to the process for mediating with opt in plaintiffs.

³⁸ As of August 31, 2024, only 204 Individual Plaintiffs' claims (associated with 79 households) proceeded to binding mediation, and as described in this Section IV.C.2(d), only six have been set for a damages-only trial after unsuccessfully mediating their claims under the Resolution Protocol, with four of those cases being settled before trial began, one set for a damages-only trial in December 2024, and the other awaiting assignment of a trial date.

1 trial, but only if the Special Master determines that the Individual Plaintiff had previously attempted to
2 mediate the claim in good faith but has been unable to achieve a settlement. The Special Master has
3 denied three demands for damages-only trials after concluding that the plaintiff did not demonstrate
4 good faith, saving SCE the expense and uncertain outcome of multiple trials on damages. And as of
5 August 31, 2024, only six cases have been set for a damages-only trial after unsuccessfully mediating
6 their claims under the Resolution Protocol, with four of those cases settling before the trial began, one
7 scheduled for a damages-only trial in December 2024, and one awaiting assignment of a trial date.

Appendix A

Declaration of Honorable Judge Peter D. Lichtman

Declaration of the Hon. Peter D. Lichtman (Ret.)
Special Master for the Woolsey Fire Protocol

The purpose of this declaration is to provide background and context to the settlement process undertaken by Southern California Edison (herein Edison) in its efforts to resolve all claims presented arising from the Woolsey Fire.

In order to provide the reader with a better understanding of the statements that I will be providing below, permit me to share some of my background. I was initially appointed to the bench in 1993 by then Governor Pete Wilson. My judicial career was unlike any other in that from the inception of my judicial assignments I was involved one way or the other in settling civil cases that either I had on my own docket or the docket of my fellow colleagues. I was chosen by both the Presiding Judge of the Los Angeles Superior Court and the Chief Justice of the State of California to establish a new and innovative court entitled Complex Civil Litigation. This was founded in the year 2000 and continues to this day. I was appointed twice to serve as its Supervising Judge. I then established in 2010 the Mandatory Settlement Court which likewise continues to this day. In both roles I have had to create or supervise the methodology for resolving mass tort claims.

Approximately four years ago I was asked by leadership counsel for the plaintiffs and counsel for Edison to assist in the formulation of a protocol for efficiently settling and moving to resolution literally thousands of household and business claimants. In that regard the parties engaged in arms-length negotiations on developing a format in which fire victim claimants could seek resolution of their claims. The end result of countless hours of negotiations and a common effort to become more efficient in approaching resolution was the formulation of what is now referred to as the Thomas Protocol. That protocol was finalized around October 2020.

After a month or two of operating under the Thomas Protocol, in early December 2020, leadership counsel for the plaintiffs and counsel for Edison approached me to assist in the formulation of a similar protocol to resolve the thousands of households and business claimants in the Woolsey Fire. By that time, it was already clear that the Thomas Protocol was and would continue to be a great success, and the parties' experience suggested that only minor tweaks might be

necessary to develop a similar successful protocol for the Woolsey Fire. I again oversaw an arms-length negotiation between the parties over a period of several weeks that culminated in what is now known as the Woolsey Protocol in February 2021.

Like the Thomas Protocol, the Woolsey Protocol has been extremely successful. I note the following: More than 2,700 households have settled their claims through the Woolsey Protocol. The settlement amounts for individuals and households are nearly 3 billion dollars. If the subrogation and public entity settlements in the Woolsey Fire are added to the above, the number will exceed 5.7 billion dollars. I can unequivocally state that the Woolsey Protocol represents and represented an exceedingly reasonable approach and methodology in resolving the claims.

While the negotiations by and between the Subrogation Carriers and Edison was not subject to the mandates of the Woolsey Protocol, I personally oversaw the negotiations and participated in the resolution of those claims. To reiterate, the negotiations undertaken were arms-length and resulted in a very reasonable end result.

By instituting and rigorously following the Woolsey Protocol, Edison was able to accomplish and be the recipient of numerous benefits. First, it was able to drive down significantly its own litigation costs. Second, costly discovery and law and motion battles were avoided. Third, very few claimants sought trials and as of the formulation of this declaration, none of the Woolsey Fire Claimants have actually gone through the entire trial process. Not one Woolsey Fire Claimant has proceeded to verdict. Fourth, the Protocol added a valuable and indispensable element of predictability which, in turn, promoted consensual settlements.

The Protocol contained many safeguards and deadlines such that each side was forced to accomplish a certain number of matters to be presented for settlement each month. Mediation templates were agreed upon and prepared. Heavy emphasis was placed on the claimants to supply the necessary documentation that would enable Edison to safeguard against exaggerated or frivolous claims.

Fire cases are not like other mass tort cases. Counsel on both sides of the aisle are specialized and as such know the value and the issues that govern settlement parameters. Damages are calculated in various fashions with an overlay of case law which governs the application of

inverse damages. From my own experience, I have worked with all counsel and there is a tremendous amount of consistency and predictability that is enveloped in each mediation that eventually leads to settlements.

Moreover, the methodology utilized promoted a higher level of understanding and preparedness which greatly assisted Edison's ability to challenge the contentions and arguments of counsel.

Edison and counsel for the claimants have engaged in hard-fought negotiations which have resulted in the savings of time and the avoidance of huge litigation costs and the added benefit of resulting in predictability as stated above. This predictability has a separate value of its own as both sides wish to avoid the lack of predictability that comes with jury trials. Individual trials present a huge risk of inconsistencies in dollar amounts awarded. This has all been avoided to the benefit of both sides.

In addition to serving as Special Master for the overall governance of the protocol, I have likewise been involved in the mediation process and have personally handled well over 450 mediations involving fire claims. Southern California Edison has been meticulous in its evaluations of the claims presented and has retained experts where needed to counter the various claims made against it. All of the negotiations where I served as the mediator were arm's length and reasonable.

In brief, Edison's overall approach to settlement has led to a definite cost savings in terms of settlement valuations, avoidance of unnecessary and repeated trial preparations and the savings of attorney time in the avoidance of the costly process of taking endless depositions.

The entire protocol was based on equality and reasonableness. The statistics provided above have proven that the protocol has functioned as designed and has enabled both sides to save time and money and avoid the inconsistencies and unpredictability of trials.

Dated: 10/2/2024

DocuSigned by:
Hon. Peter Lichtman (Ret.)
214BB706FF8406...
Hon. Peter D. Lichtman (Ret.)

Appendix B

Questionnaire and Checklist for Resolution Protocol

JCCP 5000

Resolution Demand Template

Name(s) of Plaintiff(s):

Bellwether:

Yes

No

Type of Claim (if more than one choose category representing largest losses):

Homeowner Total Loss

Homeowner Smoke & Ash

Tenant

Agriculture

Other business

Cause of Damage (if both choose one causing largest losses):

Fire

Debris Flow

Preference status:

Yes

Moved for preference prior to February 5, 2021

Named plaintiff qualifies for preference under:

CCP 36 (a) (plaintiff with significant interest in case over 70 and in poor health)

CCP 36 (d) (illness with life expectancy of less than 6 months-- please include documentation)

No

Damaged Property Address(es):

Complaint Name(s):

Case Number(s):

Primary law firm representing Plaintiff:

Lead Attorney with Contact Information:

I.

A. Economic Damages

1. Real Property – Dwelling, Other Structures, Diminution in Value, Debris Removal, Land and Erosion, Other	
a. Dwelling (Exhibit 1 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
<ul style="list-style-type: none">• Total: \$	
<ul style="list-style-type: none">○ Description of home/property damaged• <i>See Exhibit 1 for (List contents of Exhibit 1 which should include supporting documentation for damages including Loss Assessments, Rebuild Estimate, Pre-Fire Permits, and Pre-Fire/Post-Fire Photographs)</i>• <i>See “Document Checklist” attached as Exhibit A for additional requested documents</i>	
b. Other Structures and Improvements (Exhibit 1 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
<ul style="list-style-type: none">○ All structures and items below were damaged and/or destroyed	
<ul style="list-style-type: none">• Total: \$	
<ul style="list-style-type: none">○ Item/Structure Damaged: \$ (Include as many as applicable)	
<ul style="list-style-type: none">• Description of Item/Structure Damaged	
<ul style="list-style-type: none">• <i>See Exhibit 1 for (List contents of Exhibit 1 including all supporting documentation)</i>• <i>See “Document Checklist” attached as Exhibit A for additional requested documents</i>	

c. Diminution in Value for Property (Exhibit 2 should be a folder containing all supporting documents)	
Description of Real Estate (land and improvements) and Pre-Fire Market Value:	\$
• Total: \$	
○ Pre-Fire Value: \$	
○ Post-Fire Value: \$	
• <i>See Exhibit 2a for (List contents of Exhibit 2a including Diminution in Value Report)</i>	
• Gross Sale Price	
○ Total: \$	
• <i>See Exhibit 2b for (List contents of Exhibit 2b including Land Sale Contract, etc.)</i>	
• <i>See “Document Checklist” attached as Exhibit A for additional requested documents</i>	
d. Debris Removal (Exhibit 3 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
• Total: \$	
○ List of Service Performed/Estimate Provided: \$	
• <i>See Exhibit 3 for (List contents of Exhibit 3 including estimate and any other supporting documentation)</i>	
• <i>See “Document Checklist” attached as Exhibit A for additional requested documents</i>	
e. Land and Erosion (Exhibit 4 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
• Total: \$	
○ Description of erosion, drainage repairs, mitigation measures, and cost of implementation	
• <i>See Exhibit 4 for (List contents of Exhibit 4 including Erosion Damage Assessment, estimates, and other supporting documents)</i>	
• <i>See “Document Checklist” attached as Exhibit A for additional requested documents</i>	

f. Other Real Property Damage Categories (Include as many as applicable) (Exhibit 5 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
Total: \$	
Description of real property damaged/destroyed	
<ul style="list-style-type: none"> • <i>See Exhibit 5 for (List contents of Exhibit 5)</i> <i>See "Document Checklist" attached as Exhibit A for additional requested documents</i> 	
2. Real Property - Dwelling, Other Structures, Diminution in Value, Debris Removal, Land and Erosion, and Other Insurance Off-Set (Exhibit 6 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
Total: \$	
<ul style="list-style-type: none"> • Real Property: \$ <ul style="list-style-type: none"> ○ Dwelling: \$ ○ Other Structures: \$ ○ Diminution in Value: \$ ○ Debris Removal: \$ ○ Land and Erosion: \$ ○ Other: \$ 	
<ul style="list-style-type: none"> • <i>See Exhibit 6 for (List contents of Exhibit 6 including payout information, Claims File, etc.)</i> 	
Net Real Property Damage – Dwelling, Other Structure, Diminution in Value, Debris Removal, Land and Erosion, and Other	0
3. Real Property - Trees and Vegetation (Exhibit 7 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
Total: \$	
Description of trees and vegetation damaged/destroyed	
<ul style="list-style-type: none"> • <i>See Exhibit 7 for (List contents of Exhibit 7 including Tree Loss Evaluation, Arborist Report, Pre-Fire and Post-Fire Photographs, etc.)</i> 	

<i>See "Document Checklist" attached as Exhibit A for additional requested documents)</i>	
4. Real Property - Trees and Vegetation Insurance Off-Set (Exhibit 6 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
Total: \$	
<ul style="list-style-type: none"> • Real Property: \$ <ul style="list-style-type: none"> ○ Trees and Vegetation: \$ 	
<i>See Exhibit 6 for (List contents of Exhibit 6 including payout information, Claims File, etc.)</i>	
5. Personal Property (Exhibit 8 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
<ul style="list-style-type: none"> • Total: \$ <ul style="list-style-type: none"> ○ Description of personal property damaged/destroyed (Include as many as applicable) 	
<ul style="list-style-type: none"> • <i>See Exhibit 8 for (List contents of Exhibit 8 including Personal Property Inventory including itemization of all damaged/destroyed property with values for Replacement Cost Value (RCV) and Actual Cost Value (ACV)</i> • <i>See "Document Checklist" attached as Exhibit A for additional requested documents)</i> 	
6. Personal Property Insurance Off-Set (Exhibit 6 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
<ul style="list-style-type: none"> • Total: \$ 	
<ul style="list-style-type: none"> • Personal Property: \$ <ul style="list-style-type: none"> ○ Contents: \$ ○ Autos: \$ ○ Etc.: \$ 	
<ul style="list-style-type: none"> • <i>See Exhibit 6 for (List contents of Exhibit 6 including payout information, Claims File, etc.)</i> 	
Net Personal Property Damages	\$

7. Agricultural Damages and Losses (Exhibit 9 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
<ul style="list-style-type: none"> • Total: \$ <ul style="list-style-type: none"> ○ Description of damages to agriculture/commercial farms, loss of income, etc. • <i>See Exhibit 9 for (List contents of Exhibit 9 including estimates, reports, acreage usage, acreage descriptions, water sources, marketing plans implemented, customer lists, receipts, invoices, permits, other sources of income for property, mitigation protocol for erosion, maintenance/mitigation protocol for fire damage, easements, pre-fire and post-fire photographs of trees and surrounding vegetation, purchase and listing history, historical annual road maintenance costs, 5 year crop production history and 5 year Gross income, expense and net income history, and any additional supporting documents as applicable)</i> • <i>See “Document Checklist” attached as Exhibit A for additional requested documents)</i> 	
8. Agricultural Damages/Losses Insurance Off-Set (Exhibit 6 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
<ul style="list-style-type: none"> • Total: \$ <ul style="list-style-type: none"> ○ Description of Various Coverages: \$ • <i>See Exhibit 6 for (List contents of Exhibit 6 including payout information, Claims File, etc.)</i> 	
Net Agricultural Damages	\$
9. Additional Living Expenses (Exhibit 10 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
<ul style="list-style-type: none"> • Total: \$ <ul style="list-style-type: none"> ○ Description of ALE costs and expenses 	

<ul style="list-style-type: none"> • See Exhibit 10 for (List contents of Exhibit 10 including receipts, invoices, and all supporting documentation for costs and expenses related to food, supplies, transportation, essential items, etc.) • See “Document Checklist” attached as Exhibit A for additional requested documents 	
10. Additional Living Expense Off-Set (Exhibit 6 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
<ul style="list-style-type: none"> • Total: \$ 	
<ul style="list-style-type: none"> ○ Description of ALE Coverages: \$ 	
<ul style="list-style-type: none"> • See Exhibit 6 for (List contents of Exhibit 6 including payout information, Claims File, etc.) 	
Net ALE Damages	\$
11. Lost Income (Exhibit 11 should be a folder containing all supporting documents)	
Description of Damage and Amount:	
<ul style="list-style-type: none"> • Total: \$ 	
<ul style="list-style-type: none"> ○ Description of Lost Income 	
<ul style="list-style-type: none"> • See Exhibit 11 for (List contents of Exhibit 11 including W-9s, rental agreements, check images, bank statements, reports, communications that support your claimed loss, Schedule E from Form 1040 personal tax returns, etc.) • See “Document Checklist” attached as Exhibit A for additional requested documents 	
12. Lost Income Insurance Off-Set (Exhibit 6 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
<ul style="list-style-type: none"> • Total: \$ 	
<ul style="list-style-type: none"> ○ Description of Lost Income Coverages: \$ 	

<ul style="list-style-type: none"> • See Exhibit 6 for (List contents of Exhibit 6 including payout information, Claims File, etc.) 	
Net Lost Income Damages	\$
13. Loss of Use (Exhibit 12 should be a folder containing all supporting documents)	
Description of Damage and Amount:	\$
<ul style="list-style-type: none"> • Total: \$ 	
<ul style="list-style-type: none"> ○ Description of Loss of Use basis 	
<ul style="list-style-type: none"> • See Exhibit 12 for (List contents of Exhibit 12 including check images, bank statements, reports, communications that support your claimed loss, Schedule E from Form 1040 personal tax returns, etc.) • See “Document Checklist” attached as Exhibit A for additional requested documents 	
14. Loss of Use Insurance Set-Off (Exhibit 6 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
<ul style="list-style-type: none"> • Total: \$ 	
<ul style="list-style-type: none"> ○ Description of Loss of Use Coverages: \$ 	
<ul style="list-style-type: none"> • See Exhibit 6 for (List contents of Exhibit 6 including payout information, Claims File, etc.) 	
Net Loss of Use Damages	\$
15. Out of Pocket Expenses (Exhibit 13 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
<ul style="list-style-type: none"> • Total: \$ 	
<ul style="list-style-type: none"> ○ Description of Out of Pocket Expenses (Include as many as apply): \$ 	

<ul style="list-style-type: none"> • See Exhibit 13 for (List contents of Exhibit 13 including any and all supporting documentation for the alleged loss) • See “Document Checklist” attached as Exhibit A for additional requested documents 	
16. Other Damages (Exhibit 14 should be a folder containing all supporting documents)	
Description of Coverage and Payments:	\$
<ul style="list-style-type: none"> • Total: \$ ○ Description of Loss (Include as many as apply): \$ 	
<ul style="list-style-type: none"> • See Exhibit 14 for (List contents of Exhibit 14 including any and all supporting documentation for the alleged loss) • See “Document Checklist” attached as Exhibit A for additional requested documents 	
TOTAL ECONOMIC DAMAGES	\$
TOTAL INSURANCE	\$
NET ECONOMIC DAMAGES	\$

B. Non-Economic Damages

1. Annoyance, Disturbance, Inconvenience and Mental Anguish	
Description of Damage and Amount:	\$
<ul style="list-style-type: none"> • See Mediation Narrative (outlines basis for damages) 	
2. Emotional Distress	
Description of Damage and Amount:	\$
3. Loss of Consortium	
Description of Damage and Amount:	\$
<ul style="list-style-type: none"> • See Mediation Narrative (outlines basis for damages) 	

TOTAL NON-ECONOMIC DAMAGES	\$

II. POST-VERDICT DAMAGES REQUIRED BY STATUTE

1. Attorney Fees	
• Explanation of reasoning and method for determining amount	\$
2. Pre-Judgment Interest	
• Explanation of reasoning and method for determining amount	\$
3. Costs of Suit	
• Explanation of reasoning and method for determining amount	\$
Total Attorney Fees, Interest, and Costs of Suit:	\$

III. SUMMARY OF DAMAGES

TOTAL VALUE OF ECONOMIC DAMAGES	\$
TOTAL INSURANCE PAYMENTS	\$
NET VALUE OF ECONOMIC DAMAGES	\$
TOTAL VALUE OF NON-ECONOMIC DAMAGES	\$

TOTAL VALUE OF POST-VERDICT DAMAGES	\$
TOTAL VALUE OF DAMAGES	\$
TOTAL SETTLEMENT DEMAND (IF DIFFERENT FROM VALUE OF DAMAGES)	\$

CHECKLIST FOR RESOLUTION DEMAND TEMPLATE

A. Claims Files

1. Unless a plaintiff is uninsured, the plaintiff must submit a copy of all claims files with the mediation demand and state whether, to the plaintiff's knowledge, each claim is open or closed. If the claim file has already been produced to Edison by the plaintiff or by Subrogation Plaintiffs, via Brown Greer or otherwise, Individual Plaintiffs do not need to reproduce the claim file to Edison. If the claims file(s) have been updated since first being produced, then the updated claims file must be produced.

B. Damages Discovery

1. Mediation demands should only be submitted if the plaintiff has provided complete responses to SCE's Damages Discovery (Personal Questionnaire, Property Questionnaire, Request for Production Response, and Document Production).
 - i. If the mediation demand is on behalf of an unfiled plaintiff, please have that plaintiff fill out the appropriate discovery and provide it with the mediation demand.

C. Responding to Requests for Information

1. For any simple clarifications or responses advising of work in progress please provide responses in the body of our email requesting information/clarification.
2. For any substantive responses (which would include provision of missing information/documents such as pre-fire permits/photographs, amendments to mediation demand values, clarification of insurance payments, etc.) please provide the requests and your firm's responses in letter format. This letter, along with the requested supporting documents and amended mediation demands, as necessary, should be provided in the same manner as the original mediation demand.
 - i. Responsive email should be titled "Response to Document Request – 'Name of Plaintiff'," and then please provide a link to your firm's FTP site which contains the requested letter, supporting documents, and any amended mediation demands.

- ii. This process will allow us to quickly provide this supplemental material to our experts for the most efficient workflow possible. In addition, organizing the responses in this manner assists in preventing duplicative requests for documents from our experts that may have been discussed early on in emails.

D. Losses Related to Real Property Rebuilding

1. If you are claiming losses from the relating to real property rebuilding costs or diminution in value for an affected property, please provide the following (if available):
 - i. Loss assessments
 - ii. Actual rebuild/repair costs in line item fashion
 - iii. Rebuild estimate formatted in a line item fashion for evaluation of cost based upon trades, materials and quantities
 - iv. Insurance policy
 - v. Real estate appraisal reports
 - vi. Pre-fire permits for construction or remodel
 - vii. Pre-fire property information
 - viii. Pre-fire remodeling contracts, contractor receipts, and cancelled checks
 - ix. Pre-fire exterior photographs
 - x. Pre-fire interior photographs
 - xi. Post-fire photographs
 - xii. Post-fire rebuild photographs
 - xiii. Permits for rebuild
 - xiv. Post-fire contractor rebuild contract
 - xv. Post-fire contractor rebuilding invoices
 - xvi. Post-fire copies of check payments
 - xvii. Statements of loss and/or proofs of loss matching payments made on invoices and estimates submitted

E. Losses Related to Partial Damages

1. If you are claiming losses from the relating to real property partial damages for an affected property, please provide the following (if available):

- i. A detailed contractor loss assessment noting damages and a remediation plan that relates to the actual damages and corresponding repairs and not to additional desired improvements or a change in home style
- ii. Loss assessment remediation/repair plan
- iii. Permits and competitive bids
- iv. Fully explained and detailed actual costs incurred including paid invoices, cancelled checks, and signed contractor contracts
- v. City/county sign off on completed work, paid invoices, and cancelled checks

F. Losses Related to Diminution in Value

1. If you are claiming losses from the relating to diminution in value of an affected property, please provide the following (if available):
 - i. Diminution in value reports
 - ii. Real estate appraisal reports
 - iii. Pre-fire permits for construction or remodel
 - iv. Pre-fire property information
 - v. Pre-fire remodeling contracts and contractor receipts
 - vi. Purchase and listing history
 - vii. Pre-fire interior photographs
 - viii. Pre-fire exterior photographs
 - ix. Post-fire photographs

G. Losses Related to Debris Removal

1. If you are claiming losses from the relating to Debris Removal, please provide the following (if available):
 - i. Receipts/invoices detailing claimed damages
 - ii. Statements of loss and/or proofs of loss matching payments made on invoices and estimates submitted

H. Losses Related to Trees, Landscaping, and Vegetation

1. If you are claiming losses from the relating to Trees, Landscaping, and/or Vegetation, please provide the following (if available):
 - i. Arborist report containing breakdown of costs incurred or expected

- ii. Tree loss evaluation
- iii. Landscape replacement estimate that reflects pre-fire landscaping
- iv. Pre-fire photographs
- v. Post-fire photographs
- vi. Statements of loss and/or proofs of loss matching payments made on invoices and estimates submitted
- vii. Copy of carrier policy limits/declaration page
- viii. Insurance documents showing any landscape items paid out or inventoried

I. Losses Related to Land and Erosion

1. If you are claiming losses from the relating to Land and/or Erosion Damage, please provide the following (if available):
 - i. Erosion damage assessment with proposed erosion control measures
 - ii. Engineering reports for erosion control
 - iii. Hydrology reports
 - iv. Estimates
 - v. Invoices
 - vi. Receipts

J. Losses Related to Personal Property

1. If you are claiming losses from the relating to Personal Property Damage, please provide the following (if available):
 - i. Personal property inventory including itemization of all damaged/destroyed property with replacement cost value and actual cost value (you can reference any inventory in your insurer's claim file):
 - ii. Pre-fire photographs
 - iii. Proof of restoration for any claimed auto damages
 - iv. Invoices and/or receipts for damaged or destroyed personal property
 - v. Invoices and/or receipts for replaced items
 - vi. Statements of loss and/or proofs of loss matching payments made on invoices and estimates submitted
 - vii. Copy of carrier policy limits/declaration page

K. Losses Related to Agriculture

1. If you are claiming losses from the relating to Agricultural Losses at an affected property, please provide the following (if available):
 - i. Estimates
 - ii. Pre-fire tree or crop assessments
 - iii. Agricultural damage analyses/reports
 - iv. 2012-2020 yearly grower/pack out reports, including information on gross sales and production by class and adjustments to gross sales (e.g., offsets for CAC or HAB taxes, picking labor, or volume incentive plans).
 - v. Total number and age of planted avocado trees as of the date of fire. Information should be provided yearly from 2012 through 2018 and by block and acre.
 - vi. Total number of planted avocado trees and acres that were damaged from the fire and will be replaced. Information should be provided by block and acre.
 - vii. Actual and expected trees and acres to be replanted after the fire, including a replanting schedule. Information should be provided by block and acre.
 - viii. Documents regarding trees ordered, tree replanting costs, or other communications with tree growers.
 - ix. Pre-fire/post-fire appraisals
 - x. Attempts at farm/ranch expansion or reduction
 - xi. Acreage usage/acreage descriptions
 - xii. Water sources
 1. Number of wells
 2. Gpm
 3. Casing size
 4. Main line and lateral sizes
 5. Pipe material
 6. District water supplier
 7. Meter sizes
 8. Restrictions on water use
 - xiii. Marketing plans implemented

- xiv. Customer lists
- xv. Receipts/invoices
- xvi. Permits including conditional use permits, agriculture use permits, structure permits, as well as organic or specialty certifications for wine or other uses
- xvii. 2012-2020 yearly profit and loss ("P&L") reports and balance sheets. P&L reports should be normal course of business documents and include sufficient detail to identify avocado revenues and operating expenses by category, including irrigation, fertilizer, rodent control, repairs, maintenance, fertilizer, labor expense, and packing house charges. This can include amounts reported on tax returns.
- xviii. Any financial planning documents, including forecasts, projections, or estimates of future avocado crop production that were prepared prior to and/or after the fire.
- xix. Any financial models or calculations related to lost revenues, saved costs, or extra expense in the periods after the fire related to avocado tree losses.
- xx. Any documents related to farm income or crop insurance money received from 2012 to 2020.
- xxi. Other sources of income for property
- xxii. Mitigation protocol for erosion
- xxiii. Maintenance/mitigation protocol for fire damage
- xxiv. Any easements
- xxv. Pre-fire and post-fire photographs of trees and surrounding vegetation
- xxvi. Purchase and listing history
- xxvii. Historical annual road maintenance costs

L. Losses Related to Additional Living Expenses (ALE)

1. If you are claiming losses from the relating to Additional Living Expenses, please provide the following (if available):
 - i. Receipts/invoices
 - ii. Costs and expenses related to food, supplies, transportation, essential items, etc.
 - iii. Copy of carrier policy limits/declaration page

- iv. Statements of loss and/or proofs of loss matching payments made on invoices and estimates submitted
- v. Lease agreements for temporary housing
- vi. Carrier log notes or notations between contractor and plaintiff specifically discussing period of restoration and or delays

M. Financial Losses Related to Rental Activities

- 1. If you are claiming financial losses relating to Rental Activities at an affected property, please provide the following (if available):
 - i. Lease agreement(s) covering the period from 2015 to date.
 - ii. Evidence of rental revenues from 2015 to date, including Schedule E from Form 1040 personal tax returns, copies of checks, or bank statements.

N. Financial Losses Related to Other Business Activities

- 1. If you are claiming financial losses relating to Other Business Activities, please provide the following (if available):
 - i. Annual financial statements from 2015 to date, including profit and loss statements that list revenue and line item expenses related to Other Business Activities.
 - ii. Tax return statement of revenues and expense from 2015 to date, including either Schedule C from 1040 personal tax returns or relevant sections of partnership, corporate, or trust tax returns.
 - iii. Any documents, including contracts, agreements, reports, valuations, pre-fire projections or communications that support your claimed loss.

O. Financial Losses Related to Lost Wages or Employment

- 1. If you are claiming financial losses relating to Lost Wages or Employment, please provide the following (if available):
 - i. Paychecks, including pay stub with payment details, for all wages received in the 3 months prior to the fire.
 - ii. Paychecks, including pay stub with payment details, for all wages received in the 3 months after the fire.
 - iii. Evidence of wages received from any employer from 2015 to date, including W-2s, 1099s and personal 1040 tax returns.

- iv. Any documents, including check images, bank statements, reports or communications that support your claimed loss.

P. Losses Related to Out-of-Pocket Expenses

- 1. If you are claiming losses relating to Out-Of-Pocket expenses, please provide the following (if available):
 - i. Receipts/invoices
 - ii. Carrier log notes regarding discussions between plaintiff and carrier identifying need for out-of-pocket expenses

By signing this document, the following Plaintiff(s) acknowledge that they have an obligation to provide accurate information in the Resolution Demand Template and Checklist. The following Plaintiff(s) additionally certify that they have reviewed all information contained in their Resolution Demand Template and Checklist, and believe that the information is accurate to the best of their knowledge.

Dated: _____
_____ [Name of Plaintiff]

Dated: _____
_____ [Name of Plaintiff]

Dated: _____
_____ [_____] Guardian ad Litem for minor
Plaintiff _____]

Dated: _____
_____ [_____] Guardian ad Litem for minor Plaintiff _____]

ATTACHMENT 6

**California Catastrophe Response Council, meeting materials
July 24, 2025**



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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
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To view this notice on the California Wildfire Fund website and to access meeting materials, please visit <https://www.cawildfirefund.com/council>

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 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

<u>Council Member</u>	<u>Attendance</u>
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.
 - Public Comment: 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. 2025 Budget Augmentation: 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. Claims Administration Update: 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. Financial Report: 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 in the 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

APPEARANCESCalifornia 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.

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

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

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

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

25 We do have a very large community outreach. We

1 are helping people with their claims, et cetera. Based
2 with -- our office is based in Pasadena and want to be sure
3 that we are a part of this discussion going forward. Thank
4 you.

5 (The meeting continued but was not transcribed.)

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

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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 Resources
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 Resources 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 Resources 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 Resources 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.	Assembly 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.	Assembly 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 and 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".	Assembly 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 and 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 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.



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

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	June 30, 2025	June 30, 2024
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 5,382,129,818	\$ 38,673,191
Investments	<u>8,069,866,702</u>	<u>11,827,520,881</u>
Total cash and investments	13,451,996,520	11,866,194,072
Interest receivable	46,732,886	81,134,470
Securities receivable	<u>-</u>	<u>45,214,131</u>
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	<u>78,291</u>	<u>-</u>
Total liabilities	<u>593,066,786</u>	<u>601,494,476</u>
Net position:		
Restricted for CWF	<u>12,905,662,620</u>	<u>11,391,048,197</u>
Total net position	<u>12,905,662,620</u>	<u>11,391,048,197</u>
Total liabilities and net position	<u><u>\$ 13,498,729,406</u></u>	<u><u>\$ 11,992,542,673</u></u>

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	<u>904,993,593</u>	<u>488,207,724</u>
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	<u>164,456,664</u>	<u>1,138,041</u>
Increase/(decrease) in net position	740,536,929	487,069,683
Net position, beginning of year	<u>12,165,125,691</u>	<u>10,903,978,514</u>
Net position, end of period	<u><u>\$ 12,905,662,620</u></u>	<u><u>\$ 11,391,048,197</u></u>

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

	<u>Actual Activity for Six Months Ended June 30, 2025</u>	<u>Approved Budget for Six Months Ended June 30, 2025</u>	<u>Actual Activity for Six Months Ended June 30, 2024</u>	<u>Approved Budget for FYE 2025</u>
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
	<u>\$ 634,175,168</u>	<u>\$ 621,646,915</u>	<u>\$ 562,033,559</u>	<u>\$ 1,635,305,949</u>
Total additions to fund assets				
Deductions to fund assets:				
Wildfire paid claims	\$ 276,182,441	\$ 276,182,441	-	\$ 645,726,043
<i>Personnel expenses:</i>				
Personnel expenses - allocated from CEA	421,104	432,076	161,976	863,000
<i>Total personnel expenses</i>	421,104	432,076	161,976	863,000
<i>General and administrative expenses:</i>				
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
<i>Total general and administrative expenses:</i>	4,035,560	4,189,219	976,065	6,968,642
	<u>\$ 280,639,105</u>	<u>\$ 280,803,736</u>	<u>\$ 1,138,041</u>	<u>\$ 653,557,685</u>
Total deductions to fund assets				
Change in unrealized gain/(loss)	270,818,425	-	(73,825,835) ***	-
Overall change to fund assets	<u>\$ 624,354,488</u>	<u>\$ 340,843,179</u>	<u>\$ 487,069,683</u>	<u>\$ 981,748,264</u>

* - 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		CWF Salary & Benefit costs =	June'25	June'24
	Hours	Salaries & Benefits	Hours	Salaries & Benefits			
1. Comms	415.5	36,232	46.0	3,883		376,743 A	153,330
2. Exec	665.8	74,593	65.8	18,544		12,503,470 B	13,354,472
3. Finance	595.5	112,169	542.5	60,976		12,880,213 C	13,507,802
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			
					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		<u><u>\$ 13,490,909,622</u></u>

* - 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 occurring 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".

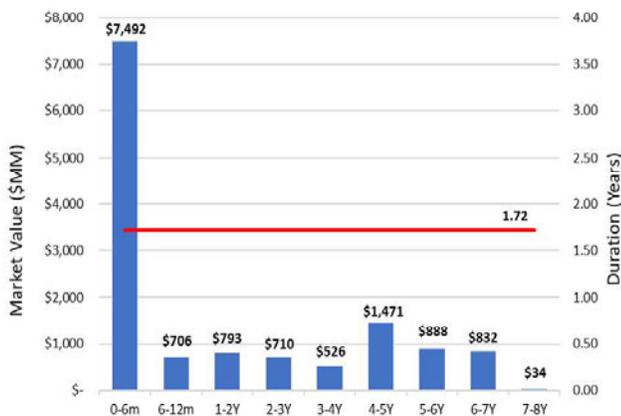
CWF Investment Portfolio as of June 30, 2025				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 9,204	68.4%	AA+	1.31
U.S. Agency & Supranational	870	6.5%	AA+	1.91
Corporates	2,950	21.9%	A+	3.17
U.S. TSY MMF	428	3.2%	AAA	0.00
Total	\$ 13,452	100.0%	AA	1.72

June 30, 2024

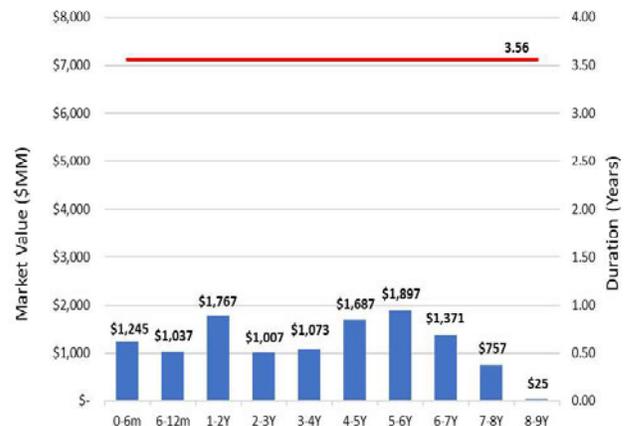
The CWF's total portfolio market value for June 2024 was \$11.87 billion with an average duration of 3.56 years and average credit ratings of "AA".

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

CWF Maturity Distribution: June 30, 2025



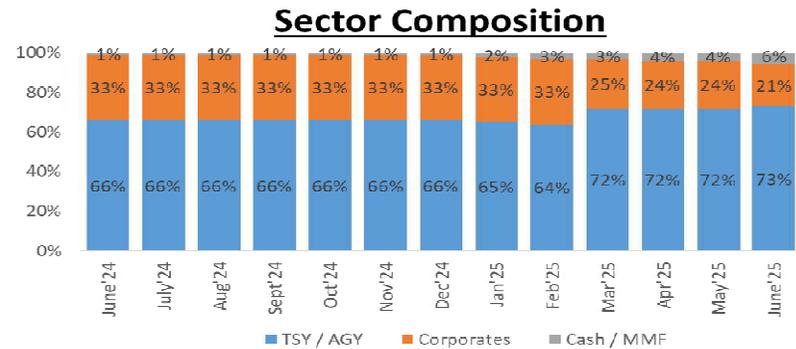
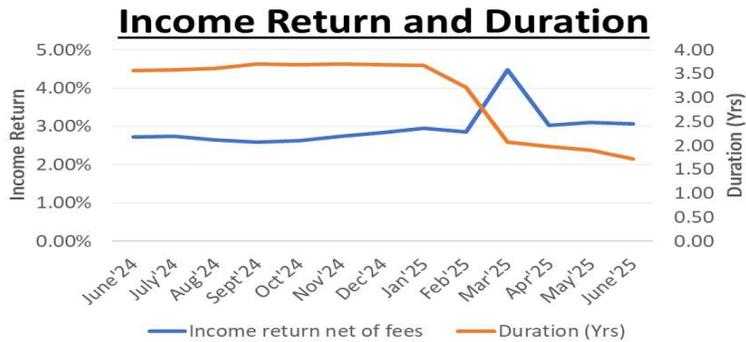
CWF Maturity Distribution: June 30, 2024



**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.

Mitigation¹

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.



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 Angeles 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 reconnaissance 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.

Eaton Fire: 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 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) Administrative Actions taken by the Administrator, under the oversight of the Council.

During the report period, Administrator staff and the Council:

- Continued to monitor active wildfires as well as the status of covered and potentially covered wildfires in the 2019 – 2025 coverage years.
- In response to the January 2025 Southern California Wildfires, and the potential for the Eaton Fire to become a covered wildfire:
 - Have increased the liquidity of claim-paying resources through realizing net investment gains on strategic trades;

- Continue to consider potential amendments to the *Wildfire Fund Claims Administration Procedures (“Procedures”)* to address the evaluation and prioritization of subrogation claim settlements based on settlement rates, among other items; and
- Continue to participate in the evaluation of alternatives for extending the durability of the Fund in the face of potential large losses.
- Continued its work to develop a clear plan to undertake an eventual “wind-up” of the Fund, when eligible claims incurred from covered wildfires exhaust the Fund’s available claim-paying capacity.

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

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

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II. Projections for the Durability of the Fund

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

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

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

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

The key factors influencing durability are:

- the dollar amount of wildfire losses,
- a determination of prudence,
- 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-03.31.25-100](#), 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 2025⁵
1.	Base - 40% settlement rate -100% prudence	99.7%
2.	High Settlement Rate - 70% settlement rate -100% prudence	99.1%
3.	Base Adjusted - 1 - \$5 billion loss incurred - 70% & 40% settlement rate - 100% prudence	98.7% - 99.5%
4.	Base Adjusted - 2 - \$10 billion loss incurred - 70% & 40% settlement rate -100% prudence	98.0% - 99.1%

Base – 1: The base scenario is the current view of risk considering a subrogation settlement rate of 40%.⁶ For all scenarios, prudence 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 prudence standard created by the 2019 Wildfire Legislation has not been interpreted or applied by the CPUC and will depend on the CPUC’s prudence 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% prudence presents a more conservative view of durability. If the CPUC’s prudence 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 prudence 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

⁷As 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

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¹⁰ See [PGE-03.31.25-10Q](#), pg. 50, last checked 6/26/25.

¹¹ See [Form 10-Q for Edison International filed 04/29/2025](#), pg. 28, last checked 6/26/26.

¹² See [Sempra 2024 Annual Report](#), pg. F-39, last checked 6/26/25.

III. The Success of the Fund

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

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

Wildfire Monitoring

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

Wildfire Ignition Date	Covered Wildfire Determination Date	IOU Claims Settlement Dates/Loss Estimates¹³
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) Increased liquidity of claim-paying resources through realizing net investment gains on strategic trades. Between February 28, 2025, and March 11, 2025, the Administrator initiated investment sales to create liquidity. Following internal discussions and

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.

Claims Summary

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

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

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

For both the 2021 Dixie Fire and the 2019 Kincade Fire, PG&E Corporation and the Utility state that “[t]hese liability amounts correspond to the lower end of the range of reasonably

estimable probable losses...but do not include all categories of potential damages and losses.”¹⁴ For example, fire suppression costs are not included in the estimates. PG&E reported that the Cal Fire Investigation Report estimates over \$650 million of costs suppressing the 2021 Dixie Fire.

DRAFT

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

IV. Whether or not the Fund Is Serving its Purpose

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

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

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

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

Rating Stability of the IOUs

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

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

AB 1054 Creates Incentives for the IOUs to Invest in Mitigation

Increased investments in electric utility grid hardening, situational awareness, and, in the near term, the use of public safety power shutoffs, may help to significantly reduce the risk of utility-caused catastrophic wildfires. AB 1054 requires \$5 billion in the aggregate for utility wildfire

safety investments with no return on equity for the utility. AB 1054 requires electrical corporations to file Wildfire Mitigation Plans with the CPUC. These Wildfire Mitigation Plans must cover at least a three-year period and describe a utility's plans to implement preventive strategies and programs to minimize the risk of its electrical lines and equipment causing catastrophic wildfires, including consideration of dynamic climate change risks. More information on PG&E, SCE, and SDG&E 2023-25 Wildfire Mitigation Plans and Related Documents is available at the California Office of Energy Infrastructure Safety ("OEIS") website: <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 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		Member 6	
Leadership & Culture	5.0	Leadership & Culture	5.0
Financial Leadership	5.0	Financial Leadership	5.0
Council Relations	5.0	Council Relations	4.0
Claim Administration	5.0	Claim Administration	NA
Enterprise Risk Management	5.0	Enterprise Risk Management	4.0
Overall Evaluation	5.0	Overall Evaluation	4.0
Total	5.0	Total	4.4

Member 2		Member 7	
Leadership & Culture	5.0	Leadership & Culture	4.0
Financial Leadership	5.0	Financial Leadership	5.0
Council Relations	5.0	Council Relations	4.0
Claim Administration	4.0	Claim Administration	4.0
Enterprise Risk Management	4.0	Enterprise Risk Management	5.0
Overall Evaluation	5.0	Overall Evaluation	5.0
Total	4.7	Total	4.5

Member 3		Member 8	
Leadership & Culture	5.0	Leadership & Culture	4.0
Financial Leadership	5.0	Financial Leadership	5.0
Council Relations	5.0	Council Relations	4.0
Claim Administration	5.0	Claim Administration	5.0
Enterprise Risk Management	5.0	Enterprise Risk Management	5.0
Overall Evaluation	5.0	Overall Evaluation	5.0
Total	5.0	Total	

Member 4		Member 9	
Leadership & Culture	4.0	Leadership & Culture	4.0
Financial Leadership	5.0	Financial Leadership	5.0
Council Relations	4.0	Council Relations	5.0
Claim Administration	4.0	Claim Administration	5.0
Enterprise Risk Management	5.0	Enterprise Risk Management	5.0
Overall Evaluation	4.0	Overall Evaluation	5.0
Total	4.3	Total	4.8

Member 5		Overall Score (Average)	
Leadership & Culture	5.0	Leadership & Culture	4.6
Financial Leadership	5.0	Financial Leadership	5.0
Council Relations	5.0	Council Relations	4.6
Claim Administration	5.0	Claim Administration	4.6
Enterprise Risk Management	5.0	Enterprise Risk Management	4.8
Overall Evaluation	5.0	Overall Evaluation	4.8
Total	5.0	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

Areas of focus:

- 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.



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

ATTACHMENT 7

**California Legislative Analyst's Office,
*Allocating Utility Wildfire Costs:
Options and Issues for Consideration,*
June 2019**



Allocating Utility Wildfire Costs: Options and Issues for Consideration

GABRIEL PETEK
LEGISLATIVE ANALYST
JUNE 2019

LAO 

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Executive Summary

Catastrophic Wildfires Caused by Utilities Increase Costs for Utility Ratepayers. Recent catastrophic wildfires caused by utilities in California have caused tens of billions of dollars in property damage. Under current legal standards, these damages will directly lead to increased costs for utilities, which could be passed on to ratepayers. Moreover, the recognition of increased potential costs associated with wildfire risks has affected the credit markets, contributing to one investor owned utility (Pacific Gas and Electric) declaring bankruptcy, as well as credit downgrades for other utilities. These credit effects will make it more difficult and expensive for utilities to secure financing for capital investments, which will also increase costs for ratepayers, as well as potentially affect other policy goals. The goal of this report is to be a resource for policymakers and the public seeking to better understand the complicated issues surrounding utilities and the costs associated with wildfire risks.

Recent Government Reports Identify Potential Changes to Allocating Costs. Specifically, we describe and assess four options that were identified by both the Governor’s Strike Force and the Commission on Catastrophic Wildfire Cost and Recovery:

- Changing the prudent manager standard used by the California Public Utilities Commission (CPUC) to determine whether the utilities will be allowed to pass costs on to ratepayers in the form of higher electricity rates.
- Changing the strict liability legal standard—which makes utilities pay for property damages from fires started by their equipment, regardless of whether they were negligent—to a negligence standard.
- Establishing a liquidity-only fund to pay wildfire claims before CPUC determines whether the utility can pass costs to ratepayers.
- Establishing a broader wildfire fund—funded by shareholders, ratepayers, property owners, and/or state taxpayers—to pay wildfire claims.

Summary of LAO Assessment. The effects of each option depend heavily on key implementation details. However, for each option, we qualitatively assess how the change could qualitatively affect three key policy criteria.

- ***Fair Distribution of Financial Costs and Risks Among Different Groups.*** Most of the changes would shift how future costs associated with utility-caused wildfires are paid among different groups. For example, changing the prudent manager standard would shift future risks from utility shareholders to ratepayers. Other changes—specifically, changing strict liability and establishing a wildfire fund—would likely result in a broader shift in risk between shareholders, ratepayers, insurers, and property owners.
- ***Incentives for Different Groups to Reduce Overall Wildfire Risk.*** Changes that increase potential wildfire-related costs for insurers and property owners could encourage them to take additional actions to reduce future risk, such as through increased implementation of home hardening and defensible space. On the other hand, changes that reduce financial risk for utilities (shareholders or ratepayers) could reduce

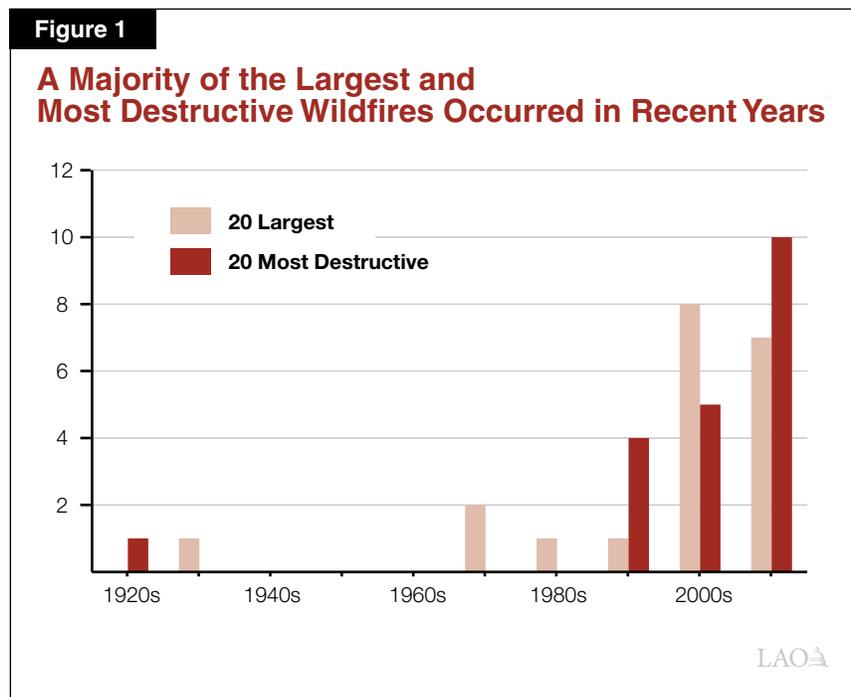
utilities' financial incentives to take actions to reduce wildfire. However, the ultimate impact on wildfire risk reduction activities would depend, in large part, on other state actions intended to promote greater risk mitigation activities, including oversight of utility mitigation activities and property insurance market reforms.

- ***Ability to Raise Capital for Utility Expenses and Reduce Ratepayer Financing Costs.*** By reducing the perceived riskiness of utilities, all of the changes have the potential to improve utilities' ability to raise capital for paying wildfire claims, as well as potentially for other expenses such as to implement wildfire safety and carbon emission reduction activities. The changes could also reduce ratepayer costs related to raising this capital by lowering bond interest rates and shareholder returns on equity. The magnitude of these effects are unclear and depend, in part, on how the changes affect investors' perception of utility financial risk.

RECENT WILDFIRE DAMAGES

Wildfire Damages Have Been Growing

- Catastrophic wildfires have a wide variety of adverse effects, including property damage, loss of life and personal injuries, and adverse environmental effects, such as air pollution.
- As shown in Figure 1, the last couple decades have seen a substantial increase in the frequency of catastrophic wildfires. The 2017 and 2018 fire seasons were especially costly—with annual property damages estimated to be about \$20 billion. The extent to which this pattern of catastrophic wildfire damages will continue in future years is currently unclear.
- It is worth noting that the major problem is uncontrolled, catastrophic fires in areas near human populations. Fires in many parts of California are a natural part of ecological processes and many can have significant forest health benefits.



Many Factors Contribute to Growing Wildfire Damages

Many different factors are contributing to growing wildfire damages. However, the degree to which each of these factors has impacted wildfire damages is unclear.

- **Development in the Wildland Urban Interface (WUI).** Increasing development in the WUI in the last several decades has increased the overall risk of wildfire damages by increasing (1) the likelihood of fires starting in these areas as a result of the additional human activity and infrastructure and (2) the amount of potential damage when fires occur. There are currently over 3 million California households in the WUI.

- **Forest Management.** Forest management practices—such as decades of fire suppression—have contributed to a significant build-up of vegetation in the forest that serves as “fuel” for more intense wildfires.
- **Climate Change and Drought.** Climate change is contributing to longer fire seasons, and a severe drought earlier this decade has led to an increase in dead trees and fuel.
- **Utility Infrastructure Management.** As we discuss below, some of the most damaging fires in the last couple of years have been ignited by utility equipment. The degree to which utility mismanagement of its infrastructure has contributed to these fires is unclear.

Utilities Start a Small Portion of Fires, but They Are Often the Largest and Most Damaging

- Only about 10 percent of fires are started by utility equipment, and many of those fires result in little or no property damage.
- However, some of the most damaging fires are started by utility equipment. For example, utility powerlines caused at least 8 of the 20 most destructive fires (40 percent) in California’s history. Seven of these utility-caused fires occurred since 2007, and six have occurred since 2015.
- Wildfires caused by powerlines can be particularly damaging, in part, because some of the factors that cause utility ignitions—such as high winds damaging electrical lines—also contribute to a rapid spread of fire that is difficult to control. For example, according to the California Department of Forestry and Fire Protection (CalFire) investigations, Pacific Gas and Electric (PG&E) equipment started the 2018 Camp Fire in Paradise, which destroyed nearly 19,000 structures and killed 86 people. PG&E estimates that it could be liable for up to \$15 billion in damages from the fire.

ALLOCATING COSTS FROM UTILITY-STARTED WILDFIRES

Inverse Condemnation Makes Utilities Liable for Property Damages

California's current legal structure of inverse condemnation makes utilities liable for all property damage associated with fires started by their equipment. In this report, we focus primarily on the process for paying for these damages through inverse condemnation. This covers a substantial share of the overall damages associated with wildfires. (We note that there are other processes through which a utility might be held liable, including government recovery of fire suppression costs and tort cases brought against the utilities.)

- **Property Owners and Insurers Pay Initial Costs . . .** For insured property owners, the insurance company pays to replace damaged properties (minus any deductible or other cost-sharing provisions). In the long run, most of these costs are reflected in future rate increases and borne by a broad set of insured property owners. Uninsured and underinsured property owners pay for damages that are not covered by insurance (or simply lose property).
- **. . . Then May Seek to Recover Damages From Entity That Caused the Fire.** Insurers and property owners can file claims in court to recover damages from the entity that caused the fire. Recovery often occurs through a process known as subrogation in which the insurer pays the property owner for the covered damages and then the insurer seeks to recover financial damages from the entity that caused the fire.
- **Legal Standard for Recovering Damages Depends on What Entity Caused the Fire.** The two standards are negligence standard and strict liability standard.
 - **Negligence Standard Generally Applied to Private Entities.** For most sources of fire, ability to recover damages from the entity that started the fire is based on a negligence standard. If the court finds that the entity that started fire was negligent, it is liable for the damages.
 - **Strict Liability Standard Applied to Governments and Investor-Owned Utilities (IOUs).** If a fire was started by a government entity or private utility, ability to recover property damages is based on a strict liability standard—meaning the utilities must pay for the damages if they caused the fire, regardless of whether or not they acted negligently. This standard is based on a legal doctrine known as inverse condemnation, which results from the courts' application of the takings clause in the State Constitution. Courts have applied inverse condemnation and strict liability to IOUs because—similar to public entities—they are given extraordinary powers, including eminent domain, and have the ability to spread costs across ratepayers.

Utility Wildfire Costs Borne by Ratepayers or Shareholders

Utilities generally buy commercial insurance to cover costs related to unexpected events such as wildfires. For example, the largest IOUs have policies that cover roughly \$1 billion in damages. The costs of the premiums utilities pay for this insurance are passed on to ratepayers. However, if wildfire costs exceed the amount of the insurance—which can be the case for some catastrophic wildfires—the utility must pay for the difference. Some insurers have indicated that they do not

plan to offer wildfire insurance for utilities in the coming years. Any uninsured utility wildfire costs can be borne by utility ratepayers and/or shareholders.

Publicly Owned Utilities (POUs) Costs Borne Entirely by Ratepayers

- There are about 40 POUs in California that provide about one-quarter of total electricity in the state. The two biggest POUs are Los Angeles Department of Water and Power (\$3.6 billion in annual revenue) and Sacramento Municipal Utilities District (\$1.4 billion in annual revenue). The remaining POUs collect a few hundred million dollars in annual revenue or less.
- For POUs, the costs of wildfire damages will generally be passed on to ratepayers in the form of higher electricity rates. There are no POU shareholders.
- Ignitions from POU equipment have caused much less damage than ignitions from IOU equipment. This is, in part, because their service territories are generally smaller.

IOU Costs Borne by Ratepayers and/or Shareholders Depending on “Prudent Manager” Determination

- The state has three major electric IOUs—PG&E, Southern California Edison, and San Diego Gas and Electric (SDG&E)—along with three small IOUs that provide about three-quarters of the state’s electricity and collect a total of roughly \$30 billion in annual revenue.
- For IOUs, costs could be borne by utility ratepayers and/or shareholders. Wildfire claims under inverse condemnation are initially paid by the company, which then must seek authority from the California Public Utilities Commission (CPUC) to recover those costs from ratepayers through higher electricity rates.
- The CPUC must determine whether the utility was a prudent manager of its system before it authorizes cost recovery from ratepayers. If CPUC does not find that the utility was a prudent manager, utility shareholders bear the direct costs through lower company profits.
- In 2017, the CPUC rejected a request from SDG&E to recover \$379 million from ratepayers for fires that occurred in 2007 because it found that the utility did not meet the prudent manager standard. So far, this is the only example of an IOU requesting cost recovery for wildfire claims that exceeded the utility’s insurance coverage.
- Chapter 626 of 2018 (SB 901, Dodd) specified certain factors that the CPUC may consider when evaluating whether IOUs acted prudently when their equipment causes wildfires (post-2018)—such as the extent to which costs were caused by circumstances beyond the utility’s control, whether extreme climate conditions contributed to the damages, and the utility’s history of compliance with CPUC regulations.

Legal Structure Leads to Higher Electricity Rates and Potential Difficulty Raising Capital

Wildfires have a wide variety of adverse effects on many different groups, including households and businesses directly affected by the fires, nearby communities affected by the air pollution caused by the fires, ratepayers that might have to ultimately bear a significant share of the costs associated with these fires, and taxpayers that pay for fire suppression and recovery activities. In

this section, we focus on the ways in which the current system for allocating risks and paying for wildfire damages caused by utility equipment can lead to a significant increase in costs for utility ratepayers.

Direct Ratepayer Costs to Pay for Past or Future Wildfire Damages

- In general, IOU ratepayers are liable for the costs of *past* fires started by utility equipment if the utility acted prudently. In addition, SB 901 directed CPUC to develop a “stress test” to determine the maximum amount utility shareholders could pay for 2017 wildfire damages without harming ratepayers or impacting the utility’s ability to provide adequate and safe service, even if the utility was found to act imprudently. If this methodology is applied, ratepayers would bear some direct costs related to 2017 fires.
- Ratepayers also will be liable for the costs of any *future* fires started by utility equipment where the utility acted prudently.
- Damages from catastrophic fires caused by IOU equipment in the last couple of years likely totals tens of billions of dollars.

Higher Indirect Ratepayer Costs Related to Utility Financing When Utilities Are Seen as Risky Investments

- ***Risky Companies Pay Higher Financing Costs to Raise Capital.*** Companies that are viewed as risky investments must pay higher rates of return in order to raise capital from investors (by issuing bonds or stock), often to build or repair infrastructure. Several factors are causing investors increasingly to view utilities as a risky investment, contributing to one IOU (PG&E) filing for bankruptcy and other major IOUs having their credit ratings downgraded substantially.
- ***Several Factors Have Led to Perceived Riskiness.*** These factors include:
 - ***Costs for Past Fires.*** IOUs face potentially billions of dollars in costs related to past fires. Moreover, it is uncertain whether CPUC will determine that the IOUs were prudent managers or how it will apply the SB 901 stress test to 2017 fires, allowing them to raise rates to cover those costs.
 - ***Potential Costs for Future Fires.*** Given the continued state of California forests and proximity of dense or unhealthy forests to populated areas, there remains significant risk of future fires to be started by utility equipment, and there is uncertainty regarding whether CPUC will allow cost-recovery for those fires.
 - ***Uncertainty Over Future Willingness to Raise Rates.*** Even if CPUC allows IOUs to raise electricity rates to cover the costs of past or future fires, doing so could make CPUC reluctant to approve future rate increases to fund other utility expenditures or shareholder returns for fear that rates would become unaffordable for many customers.
- ***Utility Financing Costs Are Generally Passed on to Ratepayers.*** Utilities are a relatively capital-intensive industry and, thus, rely heavily on raising up-front capital to pay for infrastructure investments and maintenance. The major IOUs recently filed applications to the CPUC to approve an increase in their authorized return on equity from about 10 percent to about 16 percent. If approved, PG&E estimates this change could increase monthly residential ratepayer bills in its territory by roughly 7 percent.

High Electricity Rates Adversely Affect Households, Businesses, and Governments

- California retail electricity rates are already relatively high compared to other states, even before incorporating recent wildfire damages, future risks, and additional spending related to additional utility wildfire mitigation activities. These higher rates can have a variety of adverse economic effects.
- **Households.** In 2018, average California retail rates were 47 percent higher than the national average for residential customers. Higher residential electricity rates mean households have less money to spend on other goods and services.
- **Businesses.** In 2018, average California retail rates were 54 percent higher than the national average for commercial customers and 93 percent higher for industrial customers. Higher commercial and industrial rates will likely lead to lower employee wages, lower profits, and/or increased product prices. In some cases, higher electricity prices might shift some business activity to other states or countries.
- **Governments.** Higher electricity rates for state and local governments mean they have less money to spend on other public services.

Difficulty Raising Capital Potentially Affects Other State Policy Goals

- If the utility is viewed as a risky investment, it might have difficulty raising funds to make infrastructure investments intended to improve safety, ensure reliability, and/or reduce greenhouse gas (GHG) emissions. For example, it might be more difficult to raise funds for additional wildfire mitigation activities to improve safety and new electric vehicle infrastructure to promote GHG reductions.
- Even if the utility is able to raise the funds, the higher financing costs will result in higher electricity rates. The net effect of these higher rates on GHG emissions is not entirely clear. In some cases, higher electricity rates could encourage a reduction in electricity consumption, which tends to reduce GHGs. However, higher electricity rates could make it more expensive to switch to lower GHG technologies. For example, it could discourage businesses or households from switching from gasoline or diesel powered vehicles to electric vehicles.

POTENTIAL CHANGES RELATED TO UTILITY WILDFIRE COSTS

Given the risks and costs to utility ratepayers identified above, many have called for the state to make further changes to how the state allocates and finances utility wildfire costs. Two recent government reports identified key options for potential changes.

Governor’s Strike Force Identified Four Key Changes for Legislative Consideration

- In April 2019, Governor Newsom’s Strike Force issued *Wildfires and Climate Change: California’s Energy Future*, which discusses various options for allocating the costs and future risks of utility wildfires. According to the report, these options are not mutually exclusive and more than one change likely will be needed. The key options include:
 - Changing the prudent manager standard used by CPUC to determine whether the utilities will be allowed to pass costs on to ratepayers in the form of higher electricity rates.
 - Changing the strict liability legal standard—which makes utilities pay for property damages from fires started by their equipment, regardless of whether they were negligent—to a negligence standard.
 - Establishing a liquidity-only fund to pay wildfire claims before CPUC determines whether the utility can pass costs to ratepayers.
 - Establishing a broader wildfire fund—funded by shareholders, ratepayers, property owners, and/or state taxpayers—to pay wildfire claims.
- The report does not propose a specific set of changes and does not provide implementation details for some of the proposed options.

SB 901 Commission Report Provides Additional Detail and Recommendations

- Senate Bill 901 created the Commission on Catastrophic Wildfire Cost and Recovery (the Commission) to (1) examine issues related to utility-caused wildfires and (2) recommend statutory changes to ensure equitable distribution of costs among affected parties.
- In June 2019, the full Commission and smaller Commission work groups issued reports that (1) recommend a series of changes to the current legal and regulatory system, (2) discuss in detail how different changes might be implemented, and (3) identify a wide variety of issues for legislative consideration. The reports also discuss the four key options in the Governor’s Strike Force report.

CRITERIA FOR ASSESSING POTENTIAL CHANGES

In order to assist the Legislature in weighing the relative trade-offs of potential changes to the current system (such as those identified by the Governor’s Strike Force and the SB 901 Commission), we identify below some key factors that the Legislature might want to consider when evaluating different options.

Fair Distribution of Financial Risks Among Different Groups

- Direct costs for utility-caused wildfire property damages—both past and future—could be in the tens of billions of dollars and will ultimately be borne by some combination of utility ratepayers, utility shareholders (as well as bondholders), insurers, property owners, and/or governments (taxpayers). Policy changes have the potential to shift the allocation of wildfire costs and future risks to benefit some groups of households and businesses and have adverse effects on others.
- The Legislature will want to consider whether the current system of allocating costs and future risks to these different groups is fair. For example, the current legal and regulatory system makes ratepayers liable for the cost of fires where utility equipment started the fire, but the utility was a prudent manager. The Legislature will want to consider whether some other system is more fair.
- Fairness is ultimately a policy decision for the Legislature. A couple of issues that the Legislature might want to consider when evaluating fairness of the current system for allocating costs include: (1) some entities that contribute to the fire risk—such as property owners in high-risk areas—do not bear the full financial risk related to their actions because ratepayers ultimately pay for a large share of the financial costs of wildfires started by utility equipment and (2) the legal standard that is applied for property owners and insurers trying to recover costs for wildfire damages depends on whether the fire was started by utilities or some other private entity.

Incentives for Different Groups to Reduce Size of Future Fire Risk

- As previously discussed, the primary factor driving the problems identified above is the growing magnitude of costs and future risks from wildfires started by utility equipment. One way to encourage risk reduction is to distribute risks to entities that have the ability to take actions that reduce risk.
- A variety of different groups could take actions to help reduce wildfire risk, including property owners, utilities, and governments. The current system of paying for wildfire costs started by utilities allocates a significant amount of risk to utilities—including both ratepayers and shareholders. As a result, they have a significant incentive to invest in activities to reduce risk of fires caused by their equipment though such things as vegetation management and equipment improvements. (The reasons why this incentive did not encourage enough utility risk mitigation to prevent recent fires are unclear but could be due, in part, to utilities underestimating the magnitude of their overall wildfire risk.)

- The current allocation of costs limits some of the financial risk borne by property owners who live in high-risk fire areas—and insurers who cover those properties—because they can recover costs from utilities that started the fire, regardless of whether the utility was negligent. As a result, these owners have somewhat less of a financial incentive to invest in fire prevention activities to protect their home, such as defensible space. Similarly, the current allocation of costs could be a contributing factor to growing demand for development in high-risk fire areas because of the lower financial risk faced by property owners living in those areas.

Effects on Ratepayer Financing Costs and Utilities' Ability to Raise Capital

- The effects of the current legal structure on utilities' ability to raise capital and how that might affect ratepayers is one of the key challenges and considerations. As a result, the Legislature will want to consider how any change might affect utilities' ability to raise capital and the costs to ratepayers associated with financing utility expenses, including infrastructure investments and/or paying wildfire claims. These costs are determined by the degree to which potential investors view the utilities as financially risky.
- In the long run, the risk associated with investing in a utility could be lowered by reducing the potential magnitude of wildfire damages through such things as effective implementation of utility wildfire mitigation plans, enhanced forest management and fire prevention activities, and additional home hardening activities. These actions could also reduce future direct costs mentioned above.
- In the near to medium term, investor risk could be reduced by actions that (1) shift costs or liability for future fires from utility ratepayers and shareholders to other groups, (2) shift costs or future liability from shareholders to ratepayers, and/or (3) reduce uncertainty related to the standard that will be used to determine whether or not IOUs will be able to recover wildfire costs from ratepayers.

OPTION 1 – CHANGE PRUDENT MANAGER STANDARD FOR IOU COST RECOVERY

There are two aspects of the prudent manager standard that some view as problematic. First, the CPUC has significant discretion on how to apply the prudent manager standard and determine whether utilities can recover wildfire costs from ratepayers for damages that exceed IOU insurance coverage. This discretion creates uncertainty about the degree to which utilities will be able to recover costs from past or future fires from ratepayers. This adds risk for investors (bondholders and shareholders) and, therefore, increases IOU financing costs (bond interest rates and shareholder returns). These costs generally are passed on to ratepayers. Second, some view the CPUC prudent manager standard as difficult for IOUs to meet because they must prove, by a preponderance of the evidence, that they acted prudently in how they managed their operations in order for the CPUC to approve cost recovery.

Overview of Option

- Both the Strike Force and the SB 901 Commission recommend a change to the prudent manager standard, and both reports suggest that changes in cost recovery standards alone are not sufficient and should be combined with one or more of the other changes discussed below. The SB 901 Commission provides more specific options and recommendations for changing the prudent manager standard, which are generally intended to either clarify the standard and/or make it more likely that utilities are found to have acted prudently.
- **Shift Burden of Proof and Refine SB 901 Factors.** If the Legislature does not create a wildfire fund, the Commission recommends the state (1) shift the burden of proof so that IOUs are presumed to have acted prudently unless ratepayer advocates demonstrate otherwise (this would be more consistent with the approach of the Federal Energy Regulatory Commission) and/or (2) require CPUC to give greater weight to certain factors—such as factors that are out of the utilities’ control—when evaluating the portion of costs that should be borne by shareholders. (We discuss below modified recommendations to the prudent manager standard if the Legislature also adopts the wildfire fund.)
- **Do Not Rely on Compliance With Wildfire Mitigation Plans.** Some have proposed making substantial compliance with CPUC-approved wildfire mitigation plans sufficient to demonstrate prudence. However, the SB 901 Commission recommends waiting until California gains more experience and expertise on what constitutes effective utility wildfire mitigation activities before it considers relying entirely on the plans for prudence determination.

LAO Assessment

Shifts Risk From IOU Shareholders to Ratepayers

- Any change to the standard making it more likely that an IOU would be found to be a prudent manager would shift wildfire risks from shareholders to ratepayers. This has a direct effect of increasing risks to ratepayers for fires.
- It is worth noting that, by itself, a change in the prudent manager standard would not result in a significant shift of risks between utilities and other parties, such as insurers and property owners. Utility ratepayers and shareholders would remain liable for damages from fires started by utility equipment.

Changes Utility Incentives to Reduce Overall Magnitude of Wildfire Risk, but Net Effect Is Unclear

- Changing the prudent manager standard would have different potential effects on utility actions to mitigate wildfire risk.
- For example, if risk of future fires is shifted from shareholders to ratepayers, shareholders (represented by utility management) would have less incentive to take certain actions to reduce fire risk. This is because certain actions might no longer be necessary to meet the CPUC prudent manager standard. However, ratepayers (represented by ratepayer advocacy groups and CPUC) would have greater incentive to advocate for more ratepayer funding for aggressive wildfire mitigation activities at the CPUC. The net effects on overall utility actions to reduce wildfire risk is unclear, but would depend in large part on CPUC regulatory activities, such as what activities are included in utility wildfire mitigation plans (WMPs), how much funding is authorized for those activities, and how aggressively the CPUC monitors and enforces those plans.
- Since this change would not affect the allocation of future wildfire risk to groups outside of the utility (such as insurers or property owners), it does not provide additional financial incentive for these parties to reduce wildfire risk.

Likely Improves Ability to Raise Capital and Reduces Financing Costs

- A change making it more likely that a utility is determined to be a prudent manager and/or providing more clarity about what is needed to meet the standard could lower financing costs. However, the degree to which the changes identified by the Commission provide greater certainty to investors would depend on the specific changes. Consequently, it is unclear how much they would reduce financing costs.
- It is important to note that lowering the perceived riskiness of utilities would reduce financing costs for all utility expenses, including both wildfire claims, as well as for other utility expenses intended to promote safety, reliability, and environmental benefits.

OPTION 2—CHANGE STRICT LIABILITY TO A FAULT-BASED STANDARD

Overview of Option

- This option would change the liability standard for utilities from strict liability to fault-based liability. A fault-based standard would make utilities liable for wildfire damages only if caused by utility negligence.
- This change would align the liability standard for utilities with private entities that cause wildfires.
- The SB 901 Commission recommended this change be adopted as a way to more equitably allocate catastrophic wildfire costs for utilities.

LAO Assessment

Shifts Risk From Utility Ratepayers and Shareholders to Insurers and Property Owners.

- In general, this option would shift some risk from utilities—both shareholders and ratepayers—to insurers and property owners.
- In cases where the utility is not negligent and otherwise would have been determined to have acted prudently, ratepayers would no longer be liable for property damages from wildfires started by utility equipment. These costs instead would be borne by insurers and property owners, often those located in high-risk fire areas.
- In cases where the utility is not negligent and otherwise would not have met the CPUC's prudent manager standard, shareholders would no longer be liable. The costs and risks for these fires would be borne by insurers and property owners.
- Utility shareholders would still be liable for fires that they started due to negligence.

Increases Incentives for Property Owners to Reduce Wildfire Risk, but Might Lower Utility Incentives to Reduce Risk

- If property owners in high-risk areas bear more of the financial risk of wildfire damage, they would have greater incentive to take actions to reduce fire risk. However, the degree to which property owners would take these actions to reduce risk depends, in part, on actions by property insurers and local governments.
- For example, the greater financial risk might encourage insurers to make their coverage or premiums contingent on risk reduction activities undertaken by the homeowner, such as defensible space or other “home hardening” activities. In addition, with greater financial risk associated with wildfires, property insurers might be less willing to offer coverage to properties in high risk areas or increase premiums in those areas. This might make it less likely that local governments approve new developments in high-risk areas and/or more likely that they adopt and enforce regulations requiring property owners to implement risk reduction activities.
- Since this option would shift some risk away from utilities—ratepayers and shareholders—it could reduce some of the incentive for utilities to undertake activities

to reduce risk. However, as discussed above, actual utility risk reduction activities would depend, in part, on the degree to which CPUC is effectively overseeing utility wildfire mitigation activities, including those in WMPs.

Likely Improves Ability to Raise Capital and Reduces Financing Costs in the Long Run, but Near-Term Effects More Uncertain

- In the long run, shifting some of the risks of future fire damages from utilities to property owners (and insurers) likely reduces risk for utility investors and, as a result, reduces ratepayer financing costs. Some investor risk would still remain because investors would still be liable if a utility is determined to be negligent. A recent report by Moody's stated that this change would have a strongly positive impact on utilities' credit ratings.
- However, in the near term, the degree to which a statutory change to strict liability will reduce investor uncertainty is unclear. This is because there is legal uncertainty about whether the Legislature can make a statutory change to the strict liability standard under inverse condemnation, or whether such a change requires voter approval of a Constitutional amendment. As a result, a statutory change is likely to be challenged in court. This could lead to a period of time in which there is continuing market uncertainty until these legal questions are resolved. One option to reduce this uncertainty might be to seek voter approval of a Constitutional change at an upcoming election.

Other Legislative Considerations

- ***Addressing Challenges for Property Insurance Market.*** As discussed above, these changes would increase risk for insurers that cover properties in high-risk areas. This could lead to higher insurance rates and less insurance availability in these areas. If it chooses to adopt this option, the Legislature also might want to consider making changes to ensure options to increase insurance availability in these areas.
- ***Facilitating Actions to Reduce Risk by Property Owners.*** Since some of the risk would be shifted to property owners in high-risk areas, the Legislature might want to consider ways to facilitate actions to reduce risk for those property owners. This could include greater outreach or increased funding for programs to offset a portion of the costs for activities property owners can implement to reduce risk, such as home hardening and defensible space. The Legislature could also consider opportunities that help encourage insurers to offer discounts to property owners that undertake risk reduction activities. For example, the Commission recommends that the Legislature require insurers to offer an insurance policy for a home when both the home and the community where the home is located meet a pre-determined standard for adequate wildfire risk reduction.
- ***Timely Resolution of Wildfire Claims.*** Even though resolving wildfire claims made by insurers and uninsured property owners can take several years under a strict liability standard, the time line for resolution can be shorter than under a fault-based standard. This is because a court does not have to evaluate whether or not the utility was negligent before utilities are required to pay claims to insurers or uninsured property owners (or a settlement is reached). The claims are paid once it is determined that a utility caused the fire, which is a matter that can often be resolved quicker. A fault-based standard, which would require courts to evaluate negligence, could slow this process down, thereby delaying when property owners and insurers are paid for these losses.

OPTION 3—ESTABLISH LIQUIDITY-ONLY FUND TO PAY WILDFIRE CLAIMS BEFORE CPUC COST-RECOVERY DECISION

After a utility is found to cause a fire, the utility can be viewed as a more risky investment, which can increase the costs of raising money to pay wildfire claims and other utility expenses. The costs of raising money (by issuing debt and equity) are generally passed on to ratepayers. In more extreme cases, such as the current PG&E bankruptcy, a wildfire could limit the amount the utility would pay wildfire claims and other expenses.

Overview of Option

- Under this option, the state would create a liquidity-only fund that would be available to pay for wildfire damage claims during the period after it is determined that an IOU caused the fire but before the CPUC makes a decision about cost-recovery under the prudent manager standard. The primary intention would be to ensure there is funding available to pay wildfire claims during this period and reduce the financing costs of raising capital to pay for catastrophic wildfire damages by establishing a dedicated fund source from ratepayers.
- Some key elements of this option include the following:
 - **Initial Contributions to Establish the Fund.** The liquidity-only fund could be funded initially (capitalized) by utility ratepayers and potentially shareholders. Ratepayer funding could come, at least in part, by securitizing a dedicated rate component. A dedicated rate component is essentially a guaranteed charge included on ratepayers' bills. For example, in the electricity crisis in the early 2000s, the state authorized a dedicated rate component to pay debt service on bonds issued to cover costs of purchasing electricity. Since the dedicated rate component is a relatively low-risk revenue stream, it would provide greater certainty to investors and, thus, reduces ratepayer financing costs related to raising capital.
 - **Size of the Fund.** Neither the Governor's Strike Force nor the SB 901 Commission propose a specific amount of money for the fund. However, our understanding is that the liquidity-fund would be smaller than the wildfire fund discussed below.
 - **Future Contributions to Replenish the Fund.** If the CPUC subsequently determines that the IOU acted as a prudent manager, and therefore can recover the costs from ratepayers, then the CPUC would authorize additional rate increases to collect the money needed to reimburse the fund. If the CPUC subsequently determines that the IOU did not meet the cost recovery standard and, therefore, cannot recover costs in rates, then utility shareholders would be required to reimburse the fund.
 - **Determining Amount of Claims Paid.** Typically, insurers and uninsured property owners negotiate a settlement with utilities for an amount that is substantially less than the full amount of the original claim. Neither the Strike Force nor the SB 901 Commission make specific recommendations about how the amount of claims paid from the liquidity fund would be determined.

- **SB 901 Commission Views Liquidity-Only Fund as Secondary Option.** The SB 901 Commission recommends adopting a liquidity-only fund—and revising the prudent manager standard—if the Legislature does not change strict liability or establish a larger wildfire fund.

LAO Assessment

Liquidity-Only Fund Would Not Change the Underlying Distribution of Risks . . .

- This option simply establishes a mechanism to provide cheaper “bridge funding” needed to pay wildfire claims to property owners and insurers after a fire occurs but before CPUC makes a cost recovery determination.

. . . Or the Underlying Incentives for Risk Reduction

- Since the fund does not change the underlying distribution of risks among different groups, it does not change the fundamental incentive for different groups to reduce the overall magnitude of the risk.

Improves Ability to Raise Capital and Likely Reduces Ratepayer Financing Costs, Primarily for Wildfire Claims

- The primary benefit of this option would be to help ensure there is funding available to pay wildfire claims and reduce IOU financing costs related to paying wildfire claims.
- In the near term, making a separate source of funding available to pay wildfire claims before CPUC makes a cost recovery determination might free up some utility funds for other expenses. This could have some minor positive effect on the perception of the overall financial condition of the utility and, thus, reduce financing costs for other utility expenditures, including expenditures related to infrastructure, safety, reliability, and environmental benefits. However, without more substantial changes that reduce long-term shareholder risk such as those discussed elsewhere in this report, the utility could still have high financing costs for its other expenditures in the period before CPUC makes its cost-recovery determination.

Other Legislative Considerations

- ***Some Key Details Would Still Need to Be Determined.*** For example, it is unclear how large the fund would be and how much of the initial funding would come from ratepayers versus shareholders. As a result, it is difficult to conduct a detailed analysis of the effects of this potential option.
- ***Could Liquidity Fund Be Created After Fire Event?*** The Legislature might want to consider whether there are other options that could reduce financing costs related to wildfire claims. For example, as suggested in the SB 901 Commission report, the Legislature could consider whether it would be feasible to authorize a dedicated rate component and securitizing the revenue stream after a determination that the utility caused the fire, but before the IOU needs to pay the claims.

OPTION 4—ESTABLISH WILDFIRE FUND TO PAY WILDFIRE CLAIMS

Overview of Option

- A wildfire fund would be used to pay certain claims from catastrophic wildfires caused by utility equipment. The fund would have some similar characteristics and goals as the liquidity-only fund, but with two primary differences. First, contributions to the wildfire fund would likely come from more non-IOU sources and, as a result, would spread the costs to a wider population. Second, initial contributions to the fund from utility shareholders would likely be larger and, in exchange, the state would make changes that more substantially reduce shareholder liability for future fires.
- Some key elements of this option include the following:
 - **Initial Contributions to Establish the Fund.** Initial up-front contributions to the fund could come from (1) IOU shareholders, possibly through one-time cash contributions; (2) IOU ratepayers, possibly through securitization of a dedicated rate component; and (3) POUs, through a one-time or ongoing contribution. The SB 901 Commission recommends voluntary utility participation from utilities, but the Legislature could consider mandating certain utilities participate. The fund could be structured in a way that other parties would contribute, such as the state (through direct cash contributions or providing tax exempt status to the fund), and/or a surcharge on property insurance policies.
 - **Size of the Fund.** Consultants for the Governor's Strike Force testifying at a recent legislative hearing and the SB 901 Commission report suggest that a \$40 billion fund might be adequate to pay claims over the next decade, but both recognize the need for further analysis to evaluate the appropriate size of such a fund. The SB 901 Commission suggests that a wildfire fund should be smaller if there is a change to strict liability.
 - **Future Contributions to Replenish the Fund.** Future contributions to the fund could come from shareholder payments or penalties when utilities fail to prudently manage wildfire risks. An SB 901 Commission workgroup recommends a cap on future shareholder contributions. This cap could be implemented in a couple of different ways, but the level of the cap would depend on the size of the initial shareholder contribution—the greater the initial contribution, the lower the cap on future liability. It is possible that future contributions might come from other sources too. The SB 901 Commission recommends giving authority to the administrator of the fund to levy assessments on different parties if it turns out the amount in the fund is insufficient to pay wildfire claims.
 - **Determining Amount of Claims Paid.** Both the Strike Force and the SB 901 Commission suggest that the Fund be designed to pay wildfire claims at a settlement amount that is less than the full amount of the claim. The process for determining this settlement amount through a wildfire fund is complex and, according to the SB 901 Commission workgroup report, requires further evaluation.

- ***Change in Prudent Manager Standard and Cost-Recovery Tied to Initial Shareholder Contributions.*** Both the Strike Force and the SB 901 Commission suggest that establishing a wildfire fund also be accompanied by a change in the CPUC’s prudent manager standard for cost-recovery. The specific change is not identified, but both reports suggest that the amount of the initial contributions from shareholders should depend on the degree to which the change in the regulatory standard for cost recovery provides clarity for investors or limits future liability. Greater certainty around cost recovery and limitations to future utility liability would be accompanied by a higher initial contribution to the fund.

LAO Assessment

Likely Shifts Costs and Future Risks Between Different Groups, but Net Effects Would Depend on Key Details

- The shift in costs and risks between different parties depends on details of the fund, including which groups pay into the fund—both initially and in future years—how much each group pays, what changes are made to the prudent manager standard, the size of the fund, and what changes are made that affect the amount of wildfire damage claims.
 - ***Initial Contributions to the Fund.*** The net effect on different groups depends, in part, on the amount each group would initially contribute to the fund. For example, if other parties—such as insurers, the state, and/or property owners—contributed to the fund, it could reduce costs for utility ratepayers and shareholders compared to what they otherwise might have to pay for wildfire claims.
 - ***Changes to Prudent Manager Standard Reduce Shareholder Risk.*** As discussed above, a change to the prudent manager standard (or whatever standard is used to determine whether utilities must reimburse the fund) is likely to reduce shareholder risk. For shareholders, these lower future risks might outweigh the amount of their initial contribution to the fund, although estimating the net effect could be difficult.
 - ***Reduction to Future Ratepayer Risk Depends on Size of Fund.*** In concept, the wildfire fund acts as an insurance policy for ratepayers. The initial contributions to the fund are used to pay future wildfire claims that would otherwise be paid by ratepayers. This reduces the risk to ratepayers of future fires. The degree to which the fund reduces future risk depends, in part, on the size of the fund. A larger fund would be more likely to cover future wildfire claims where the utility acted prudently and, thus, reduce ratepayer risk. On the other hand, if a smaller fund is established and wildfire claims exceed the size of the fund, ratepayers would still bear risk for future fires where the utility acted prudently.
 - ***Limits on Wildfire Claims Could Shift Risk From Ratepayers and Shareholders to Insurers or Property Owners.*** A cap on settlement values for claims from insurers or uninsured property owners could shift some risk from utility ratepayers or shareholders to insurers. (In the long run, many of the insurer costs would likely be borne by property owners in the form of increased premiums or lack of access to coverage in high-risk areas.) However, if the fund pays insurers a pre-determined percentage of subrogation claims, the insurers would have more certainty around the amount of money they would be able to recover for damages related to utility wildfire claims. This could help insurers manage some of their risk.

Could Reduce Incentives to Reduce Future Wildfire Risk, but Depends on Details and Other Actions

- A wildfire fund could reduce incentives for various parties to reduce future wildfire risk. This is because different groups—such as utilities—might have lower financial risks for *future* wildfires because the fund would pay those claims.
- The net effect on incentives depends on some of the key details and how they affect future fire liability among different groups. For example, incentives for utilities to reduce future risk of fires would depend, in part, on the degree to which shareholders would still have to reimburse the fund for the costs of future fires where the utility acted imprudently. This future liability could be affected by changes to the prudent manager standard or caps on the amount that utilities would be required to pay.
- The degree to which different groups take action to reduce risk of future fires also could be affected by implementation of other state or local policies. For example, utility risk mitigation would depend on (1) CPUC enforcement of wildfire mitigation plans, (2) limiting the number of new homes that are built in high-risk areas would depend on land use decisions by local governments, and (3) actions to reduce risks for homes and communities (such as creating defensible space) could be affected by new requirements that insurers consider such changes when making coverage decisions.

Improves Ability to Raise Capital and Likely Reduces Ratepayer Financing Costs, but Effects Depend on Details of Fund

- The wildfire fund might reduce future fire-related financial risks for utility investors by providing even greater certainty around the prudent manager standard and/or establishing a cap on the amount of claims paid by shareholders. If so, this would have additional indirect benefits for ratepayers by reducing financing costs for other utility investments because the utility is viewed as a less risky.
- The magnitude of the effect of the fund on investor risk and financing costs is uncertain because (1) key details have not been defined, such as the amount of initial shareholder contributions and changes to the prudent manager standard; and (2) it is unclear how specific changes would affect the perception of risk among potential investors.

Other Legislative Considerations

- ***Effects on Insurance Market.*** This option would potentially include some significant change for property insurers, including a potential cap on subrogation claims. The consequences of these changes on the insurance market—both rates and availability—are unclear, but they are an important consideration if making these changes. (The SB 901 Commission report includes more detailed comments and recommendations related to the insurance market and wildfire issues.)
- ***Contributions From PG&E.*** This option presumably relies on initial contributions from IOU shareholders. However, the process for and ability of PG&E shareholders to contribute to the fund is particularly uncertain while the utility is in bankruptcy court.

SUMMARY OF LAO COMPARISON OF POTENTIAL CHANGES

Figure 2

Assessment of Changes to Allocation of Utility Wildfire Costs Discussed in Recent Reports^a

Options	Criteria for Evaluating Options		
	Distribution of Financial Risks for Wildfires	Incentive to Reduce Future Wildfire Risk	Effects on Ability to Raise Capital and Financing Costs
Option 1—Change Prudent Manager Standard for IOU Cost Recovery	Shifts risks from IOU shareholders to ratepayers.	Changes utility incentives to reduce overall risk. Net effect on overall risk is unclear because, in part, effect depends on CPUC regulatory actions and oversight.	Likely improves ability of utilities to raise capital and reduces ratepayer financing costs for utility expenses, including infrastructure and wildfire claims.
Option 2—Change Strict Liability Standard Under Inverse Condemnation to a Fault-Based Standard	Shifts risk from utility ratepayers and investors to insurers and property owners.	Increases incentives for property owners to reduce wildfire risk and might reduce utility incentive to reduce risk. Net effect on risk ultimately depends on many different factors, including CPUC regulatory actions and oversight.	In the short run, effects uncertain due to legal uncertainty about change to inverse condemnation liability standard. In the long run, if legal issues resolved, would improve ability to raise capital and reduce ratepayer financing costs related to wildfire claims and general utility infrastructure.
Option 3—Establish Liquidity-Only Fund to Pay Wildfire Claims Before CPUC Makes Cost-Recovery Decision	No change.	No change.	Improves ability to raise capital and likely reduces ratepayer financing costs primarily to pay for wildfire claims, but not for other utility infrastructure expenditures.
Option 4—Establish Wildfire Fund to Pay Wildfire Claims	Shifts costs and future risks among ratepayers, IOU investors, insurers, and property owners. Net effect on each group depends on details of the fund, such as initial contributions, process for settling claims, and future reimbursements to the fund.	Could reduce incentives for different groups to reduce overall risk, but net effect depends on how fund shifts risks of future fires among different groups and other state and local actions intended to reduce risk.	Improves ability to raise capital and likely reduces ratepayer financing costs for utility expenses, including infrastructure and wildfire claims, but magnitude of effect depends on details of the fund.

^a Reports issued by Governor Newsom's Strike Force (April 2019) and Commission on Catastrophic Wildfire Cost and Recovery (June 2019).
IOU = investor owned utility and CPUC = California Public Utilities Commission.

OTHER CONSIDERATIONS

Allocating costs and future risks related to catastrophic wildfires is a complex issue with a wide variety of important considerations. Below, we discuss some other important questions for the Legislature when considering how to allocate utility wildfire costs.

Is CPUC Ensuring Utilities Take Appropriate Actions to Reduce Risk?

- Regardless of the legal structure for wildfire liability, the CPUC has an important role in ensuring utilities are taking appropriate actions to reduce risk, such as through implementation and enforcement of IOU WMPs. Some key regulatory questions about how these plans are implemented include: what is appropriate level of risk reduction activities that should be funded by ratepayers, what are most cost-effective utility risk reduction actions, and how should these plans be monitored and enforced?
- The Legislature could consider whether a new structure for overseeing utility wildfire mitigation activities would help reduce risk. For example, the SB 901 Commission recommends establishing a new Electric Utility Wildfire Board that, among other things, would have authority to evaluate best practices for utility wildfire mitigation activities, as well as to set and enforce wildfire safety standards for all utilities (including IOUs and POU's).

Should Utility Rates More Closely Reflect Costs of Providing Service to High-Risk Areas?

- Currently, utility customers in high-risk fire areas pay similar electricity rates as customers in low-risk areas. The Legislature could consider directing CPUC to change utility rate structures in a way that better align electricity rates in high-risk fire areas with the costs and risks of providing electricity to those customers. This would better align electricity rates with the full costs and risks of providing that service.

Are There Opportunities to Reduce Other Ratepayer Financing Costs?

- The Governor's liquidity-only option focuses on reducing financing costs for a certain set of utility costs—costs related to paying wildfire claims before CPUC determines cost recovery—through securitizing a dedicated rate component on electricity rates.
- The Legislature might want to consider whether there are similar opportunities to utilize a dedicated rate component to reduce ratepayer costs for other expenses. For example, the Governor's report also identifies the possibility of using a similar process to lower costs of borrowing money needed to pay for implementation of WMPs.

What Can Be Done to Better Understand Magnitude of Future Risk and Undertake Actions That Reduce Risk Most Cost-Effectively?

- The overall magnitude of future wildfire risk caused by wildfires is unclear. This makes it difficult to evaluate what level of risk mitigation expenditures is justified and the magnitude of the risks that might be shifted under potential changes to future wildfire liability.
- There is limited publicly available information on the costs and benefits of different risk mitigation activities. For example, it is unclear what vegetation management activities and infrastructure hardening activities achieve risk reduction most cost-effectively, or how those actions compare to creating defensible space around more homes and communities. As a result, it is difficult to determine the mix of activities that are likely to achieve the greatest level of risk reduction.
- More transparent analysis of these issues could help inform future legislative and regulatory changes intended to reduce wildfire risk cost-effectively. For example, the SB 901 Commission recommends creating a Wildfire Vulnerability and Risk Reduction Coordinator at the Office of Planning and Research. This coordinator would be responsible for conducting research and providing recommendations to state and local governments on the optimal level of risk mitigation spending by various parties.

LAO PUBLICATIONS

This report was prepared by Ross Brown and reviewed by Brian Brown. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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ATTACHMENT 8

***Wildfires and Climate Change: California's Energy Future,
A Report from Governor Newsom's Strike Force
April 12, 2019***



Wildfires and Climate Change: California's Energy Future

A Report from Governor Newsom's Strike Force

April 12, 2019

Executive Summary

Climate change has created a new wildfire reality for California. The state's fire season is now almost year round. More than 25 million acres of California wildlands are classified as under very high or extreme fire threat. Approximately 25 percent of the state's population – 11 million people – lives in that high-risk area.

Wildfires are not only more frequent but far more devastating. **Fifteen of the 20 most destructive wildfires in the state's history have occurred since 2000; ten of the most destructive fires have occurred since 2015.** The results are visible to all: lives lost, grave fire damage to homes and communities, rising gas and electricity rates, pressure on the home insurance market, and the threat of insolvency for California's utilities. The largest investor-owned utility in the state has filed for bankruptcy protection and two other major investor-owned utilities in southern California have had their credit ratings downgraded. Financial experts have opined that these utilities are likely one major fire away from bankruptcy. Making matters worse, this year has all the conditions for devastating fires, with a very wet season leading to high vegetation density. During fire season, that vegetation dries out and becomes fuel.

Since the first days of his administration, the Governor has taken decisive action to strengthen California's emergency preparedness and response capabilities to mitigate wildfires and build community resilience. In response to instability in the energy sector and to PG&E's decision to file for bankruptcy, the Governor created a strike force to coordinate the state's efforts relating to the safety, reliability, and affordability of energy, as well as to continue progress to achieve the state's climate commitments. As part of these efforts, sixty days ago, the Governor directed the strike force to develop a comprehensive roadmap to address the issues of wildfires, climate change, and the state's energy sector. That roadmap is attached.

The strike force report sets out steps the state must take to reduce the incidence and severity of wildfires, including the significant wildfire mitigation and resiliency efforts the Governor has already proposed. It renews the state's commitment to clean energy. It outlines actions to hold the state's utilities accountable for their behavior and potential changes to stabilize California's utilities to meet the energy needs of customers and the economy.

It is imperative that utilities not put profits ahead of safety and service. That is why the state has and will continue to advocate in PG&E's bankruptcy proceeding for fair treatment of fire victims, for California consumers, and for California policies and values.

Preventing and Responding to Catastrophic Wildfires

The report begins by setting out steps that the administration, the CPUC, local communities, and utilities must take to reduce the incidence and severity of wildfires and to step up both community resilience and the state's response capabilities. To accomplish this, it is critical that the state:

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- **Expand fire prevention activity** by improving forest and vegetation management, accelerating fuel reduction projects on both public and private land, training the workforce needed to scale up these projects, investing in new technologies to model and monitor fire risk, and strengthening utility oversight so that they invest more in safety.
- **Make communities more resilient** by considering updating codes that govern defensible space, encouraging cost-effective hardening of homes, strengthening evacuation, encouraging other emergency planning, and improving land use practices to reduce the damage to life and property from wildfires.
- **Invest in fire suppression and response** by investing in new fire engines and aircraft, re-deploying National Guard personnel from the border to support fire suppression initiatives, purchasing detection cameras to provide advanced data to firefighters, and investing in a statewide mutual aid system to pre-position resources in high-risk areas.
- **Call on the Federal Government to Better Manage Federal Forest Land.** As the owner of 57 percent of California's forestland, the federal government must also do its fair share to reduce fire risk. Specifically, the Governor has joined the governors of Washington and Oregon to call for the federal government to double the investment in managing federal forestlands in our states due to the high risk of wildfires.

Renewing California's Commitment to Clean Energy

Given that climate change is a core driver of heightened wildfire risk, California must continue its transition to clean energy. California has established ambitious greenhouse gas reduction targets and the utility sector has been critical to the significant progress our state has made. But, an unstable energy market presents new risks, and temperatures keep rising. Any solution must adapt to the changing market landscape while maintaining the state's commitment to mitigating climate change. To do this, the state should consider:

- **Evaluating state-level resource backstop options** to reduce gaps and inefficiencies that can result from an increasingly fragmented energy market – including the option of creating a state power procurement entity.
- **Increasing transparency and reliability protections for customers** by establishing standards to make energy provider information more transparent and facilitate statewide planning.

Allocating Responsibility for Wildfire Costs

An honest assessment of the realities of current and future climate change tells us that no matter how committed we are to preventing and fighting fires and to reducing carbon emissions over the long-term, the state will experience further fire damage in the coming years. If we continue on our current legal and regulatory path, we will get similar results – more deadly and destructive fires that put utilities near insolvency. That is unacceptable for fire victims and utility customers and is incompatible with an economy that requires safe, reliable, and affordable power. Any real plan must allocate costs resulting from wildfires in a manner that shares the burden broadly among stakeholders,

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including utilities (ratepayers and investors), insurance companies, local governments, and attorneys. Taxpayers have substantially increased their contribution to mitigating fire risk and fighting fires when they ignite.

Any successful approach for allocating responsibility for wildfire costs should be based on the following principles: (1) maintaining safe and affordable power, (2) holding utilities accountable to prioritize safety, (3) treating wildfire victims fairly, (4) requiring equitable stakeholder contributions, (5) reducing overall costs from wildfire damage, (6) promoting California's clean energy goals, and (7) recognizing the contribution of California taxpayers.

The strike force has identified the following three concepts for evaluation against these principles:

- A **liquidity-only fund** that would provide liquidity for utilities to pay wildfire damage claims pending CPUC determination of cost recovery potentially coupled with modification of cost recovery standards.
- Adopting a **fault-based standard** that would modify California's strict liability standard to one based on fault to balance the need for public improvements with private harm to individuals.
- Creation of a **catastrophic wildfire fund** coupled with a revised cost recovery standard to spread the cost of catastrophic wildfires more broadly among stakeholders.

These concepts should be publicly debated, as each has impacts, tradeoffs, and consequences that must be addressed. Some concepts rely on voluntary contributions from utility investors, who in exchange will demand more clarity in the regulatory standard for cost recovery from ratepayers.

The choices are difficult, the future is uncertain and the solutions are imperfect. But legislative action is necessary for the stability of the state's energy market to meet the needs of Californians, and to achieve the state's clean energy goals.

Under the status quo, all parties lose – wildfire victims, energy consumers, and Californians committed to addressing climate change. Victims face a great deal of uncertainty and diminished ability to be compensated for their losses and harm. Customers face rising rates and instability. California's ability to achieve its climate goals is frustrated. Utility vendors and employees face uncertainty and likely significant losses. The bottom line is that utilities either in or on the verge of bankruptcy are not good for Californians, for economic growth, or for the state's future.

Strengthening Utility Market Regulation

Utilities must be active participants in the quest for safe, reliable, and affordable power. This report recommends strengthening utility regulation by reforming the California Public Utilities Commission (CPUC) to:

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- **Expand safety expertise** by improving the CPUC's ability to review wildfire mitigation plans, conduct inspections and audits, and enforce safety standards at investor-owned utilities.
- **Clarify cost recovery standards** by setting clear guidelines in statute for when the CPUC can pass on the costs of claims from wildfire damage to ratepayers.
- **Improve decision-making** by overhauling procedures, delegating more decisions to technical staff so that judges and commissioners focus on core questions of rate-setting, and improving enforcement.
- **Review high-risk industry regulatory models** and explore options for incorporating the latest climate impact research, in concert with the Governor's Office of Planning & Research, as well as academic and industry experts in risk reduction.

Holding PG&E Accountable for Safety

PG&E is a textbook example of what happens when a utility does not invest in safety after numerous deadly reminders to do so over many years. Even today, PG&E is taking advantage of the bankruptcy process to promote the interests of investors over fire victims and other stakeholders. California will advocate for fair treatment of victims and employees, as well as to uphold the state's clean energy commitments in the bankruptcy process. The state will:

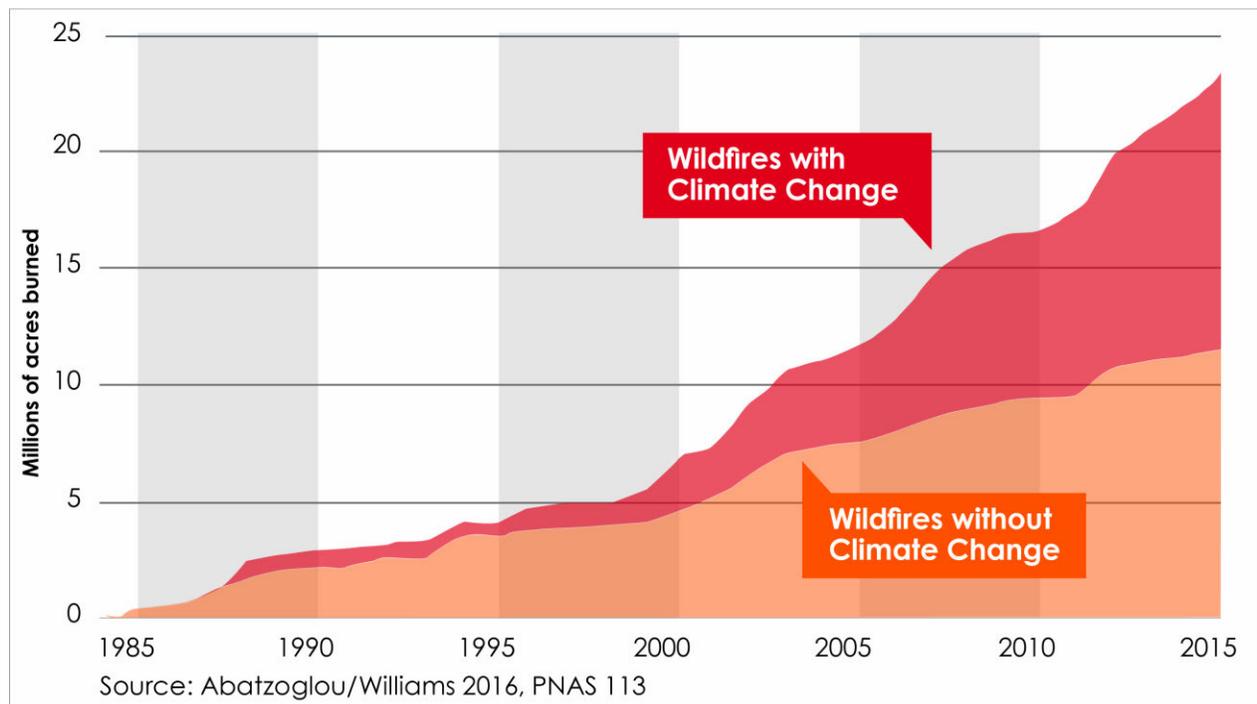
- **Monitor – and intervene – in the bankruptcy proceedings** to protect California's interests. PG&E is a private entity, but its misconduct has had grave consequences for the state and its people.
- **Evaluate options to satisfy wildfire claims** from the last two years so fire victims are treated fairly.
- **Demand that a reorganized PG&E serve the public interest.** After years of mismanagement and safety failures, no options can be taken off the table to reform PG&E, including municipalization of all or a portion of PG&E's operations; division of PG&E's service territories into smaller, regional markets; refocusing PG&E's operations on transmission and distribution; or reorganization of PG&E as a new company structured to meet its obligations to California.

The status quo is unsustainable. A better future is possible – one grounded in clear rules, effective regulation, and a new emphasis on safety so every Californian can access safe, reliable, affordable power. As the climate changes and risks rise, California must once more lead the way.

Introduction

California faces a dramatic increase in the number and severity of wildfires. Fifteen of the 20 most destructive wildfires in the state's history have occurred since 2000; ten of the most destructive fires have occurred since 2015.¹ While wildfires are a natural part of California's ecology, the fire season is getting longer every year—with most counties now experiencing fire season from mid-May to mid-December and several counties facing fire danger year-round.² Warmer temperatures, variable snowpack, and earlier snowmelt caused by climate change make for longer and more intense dry seasons, leaving forests more susceptible to severe fire.

Figure-01³



At the same time that our climate is changing and fueling the devastating force of wildfires, increased development in the wildland-urban interface (WUI) has placed more

¹ See generally, CAL FIRE, *Top 20 Most Destructive California Wildfires*, (Mar. 2019), http://www.fire.ca.gov/communications/downloads/fact_sheets/Top20_Destruction.pdf (last visited Apr. 10, 2019) ("Top 20 Most Destructive California Wildfires").

² See generally, CAL FIRE, *2018 Fire Season Incident Information*, http://cdfdata.fire.ca.gov/incidents/incidents_seasondeclarations?year=2018 (last visited Apr. 10, 2019).

³ Eberhard Faust & Markus Steuer, *CLIMATE CHANGE INCREASES WILDFIRE RISK IN CALIFORNIA* | MUNICH RE MUNICHRE.COM (2019), <https://www.munichre.com/topics-online/en/climate-change-and-natural-disasters/climate-change/climate-change-has-increased-wildfire-risk.html> (last visited Apr 11, 2019) ("Climate Changes Increases Wildfire Risk").

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residents in the potential path of destruction. Today, approximately 25 percent of the state's population (over 11 million people) lives in high fire-risk areas, including the WUI.⁴

The combination of more powerful wildfires and more Californians living in their paths has resulted in enormous, incomprehensible loss. Last year, 85 people died in the Camp Fire alone and 19,000 homes and other structures were damaged or destroyed.⁵ According to data from Butte County, more than 60 percent of those victims were over 60 years old.⁶ Paradise and other towns were devastated. The Camp Fire was only one of approximately 7,600 wildfires in 2018. Damage estimates for the 2018 wildfire season are staggering, with insured losses alone exceeding \$12 billion.⁷ Thousands of Californians who lost their homes, and their livelihoods in these fires, are still without permanent homes and struggling to rebuild their lives.

The damages caused by wildfires are unsustainable for the directly impacted victims, for the state, which is spending hundreds of millions of dollars to respond, and for local communities trying to rebuild. In response to climate change and heightened wildfire threat, California is expanding resilience efforts through increased investments in fire mitigation and response, community hardening, and emergency preparedness.

California's electric utilities must be part of the solution to this problem. In the past four years, equipment owned by California's three largest investor-owned utilities sparked more than 2,000 fires.⁸ Utility-caused fires tend to spread quickly and be among the most destructive. Hundreds of thousands of miles of electrical transmission and distribution lines snake across the California landscape, often igniting fires during extreme wind events and in remote areas, making early detection and fire suppression extremely challenging. Longer fire seasons make utility-caused fires even more likely. Hardening the electrical grid is thus a critical component to overall wildfire risk management.⁹ Our utilities—public and private—must make needed investments to reduce the risk of utility-ignited fires and, with the new reality of climate change, must do so now.

At the same time, the current system for allocating costs associated with catastrophic wildfires—often caused by utility infrastructure, but exacerbated by drought, climate change, land-use policies, and a lack of forest management—is untenable both for

⁴ LEVENTHAL CENTER FOR ADVANCED URBANISM, *Cataloguing the Interface: Wildfire and Urban Development in California*, (Spring 2018), <http://lcau.mit.edu/project/cataloguing-interface-wildfire-and-urban-development-california> (last visited Apr. 10, 2019).

⁴ Top 20 Most Destructive California Wildfires.

⁵ Cal Fire, *Top 20*.

⁶ *Los Angeles Times*, *Many victims of California's worst wildfire were elderly and died in or near their homes, new data show*, (Dec. 13, 2018) (archived from the original on Dec. 14, 2018).

⁷ CAL. DEP'T. INSUR., *CALIFORNIA DEPARTMENT OF INSURANCE INSURED LOSSES FROM THE 2018 CALIFORNIA WILDFIRES*, (Jan., 28, 2019), <http://www.insurance.ca.gov/0400-news/0100-press-releases/2019/upload/nr14-2019Insured-Losses-2018-Wildfires.pdf> (last visited Apr. 10, 2019).

⁸ Carolyn Kousky, et. al., *Wildfire Costs In California: The Role of Electric Utilities* Wharton Risk Management and Decision Processes Center (Sept. 2018), riskcenter.wharton.upenn.edu/wp-content/uploads/2018/08/Wildfire-Cost-in-CA-Role-of-Utilities-1.pdf (last visited Apr. 10, 2019).

⁹ Measures commonly used to harden the electrical grid include using insulated electrical lines in high-risk areas, replacing wood poles with steel, installing specialized monitoring equipment, and using new technologies that can reduce sparks or undergrounding lines when necessary in extreme high-fire areas.

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utility customers and for our economy. Multi-billion dollar wildfire liabilities over the last several years have crippled the financial health of our privately and publicly owned electric utilities. Pacific Gas & Electric Company (PG&E) filed for bankruptcy in the face of massive potential liability for wildfire damages. Other investor-owned and public utilities have experienced recent credit ratings downgrades, with San Diego Gas & Electric (SDG&E) and Southern California Edison Company (SCE) now precipitously hovering just above junk status. Utilities rely on credit to finance ongoing infrastructure investments, including fire mitigation. As utilities' credit ratings deteriorate, their borrowing costs increase and those costs for capital necessary to make essential safety improvements are passed directly to customers. These downgrades, and the prospect of additional utility bankruptcy filings, directly impact Californians' access to safe, reliable and affordable electricity.

In his State of the State Address, the Governor directed a strike force to develop a comprehensive strategy, within 60 days, to address the destabilizing effect of catastrophic wildfires on the state's electric utilities. He charged the strike force with developing a strategy to ensure California's "continued access to safe affordable power" and to "seek justice for fire victims, fairness for employees and protection for consumers."¹⁰

As the Governor stated, the crisis confronting California's electric utilities comes "at a time when the entire energy market is evolving" and is exacerbated by "regulations and insurance practices created decades ago [that] didn't anticipate these changes." The Governor recognized the need to "map out longer-term strategies, not just for the utilities' future, but for California's future, to ensure that the cost of climate change doesn't fall on those least able to afford it."

The Governor directed his strike force to develop a comprehensive strategy that achieves the following objectives:

1. Assure access to safe, reliable and affordable power for all Californians.
2. Reduce the severity of wildfires through continued investments in fire mitigation, vegetation management and other strategies to reduce fuels.
3. Develop and implement technologies to more quickly identify and respond to wildfires.
4. Reduce the number of utility-sparked wildfires through smart investments in increased safety, prevention, grid-hardening, and vegetation management around electrical lines.
5. Facilitate fair and prompt treatment for wildfire victims and allocate the burden of wildfire damage responsibly and fairly across all stakeholders.
6. Ensure that California continues to make progress toward its clean energy goals.

¹⁰ OFFICE OF GOV. GAVIN NEWSOM, *Governor Newsom Delivers State of the State Address*, (Feb. 12, 2019), <https://www.gov.ca.gov/2019/02/12/state-of-the-state-address/> (last visited Apr. 10, 2019).

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7. Provide sufficient certainty to investors and credit ratings agencies to avoid downgrades of utilities that could cause further bankruptcies and/or drive up borrowing costs, each of which raises prices for utility customers.
8. Hold utilities accountable for improving safety and preventing wildfires and for damages if their misconduct causes a wildfire.
9. Avoid a band-aid approach and instead set a path for the energy market of the future.
10. PG&E serves 40 percent of California electricity customers and has an egregious safety record. The state must hold PG&E accountable and demand systemic reforms and a commitment to safety.

This Report provides a roadmap to confront the challenges of catastrophic wildfires:

- Part 1: Catastrophic Wildfire Prevention and Emergency Response
- Part 2: Mitigating Climate Change through Clean Energy Policies
- Part 3: Fair Allocation of Catastrophic Wildfire Damages
- Part 4: A More Effective CPUC with the Tools to Manage a Changing Utility Market
- Part 5: Holding PG&E Accountable & Building a Utility that Prioritizes Safety

It will take a comprehensive approach to mitigate and prepare for wildfires, as well as to advance our climate goals. That said, the most vexing public policy challenge addressed in this Report is the equitable distribution of wildfire liability. The Report sets forth three concepts to address this central question--the imminent wildfire liability issues facing California's utilities--each as described further in Part 3:

- **Concept 1:** Liquidity-Only Fund. This concept would create a fund to provide liquidity for utilities to pay wildfire damage claims pending CPUC determination of whether or not those claims are appropriate for cost recovery and may be coupled with modification of cost recovery standards.
- **Concept 2:** Changing Strict Liability to a Fault-Based Standard. This concept would involve modification of California's strict liability standard under inverse condemnation to one based on fault to balance the need for public improvements with private harm to individuals.
- **Concept 3:** Wildfire Fund. This concept would create a wildfire fund coupled with a revised cost recovery standard to spread the cost of catastrophic wildfires more broadly among stakeholders.

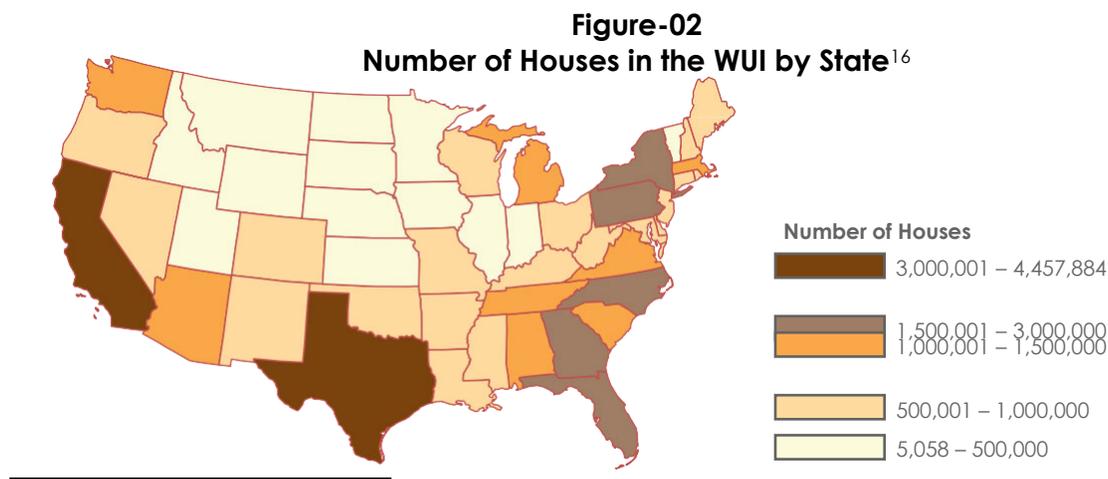
California needs to think creatively to find new ways to apportion the cost of catastrophic wildfires—ones that treat victims fairly and compassionately, that are sustainable for consumers, and that spread the burden equitably.

Part 1: Catastrophic Wildfire Prevention and Response

Catastrophic wildfires pose an urgent threat to lives, property, and resources in California. The 2017 and 2018 wildfire seasons were the most destructive in California's history.¹¹ More than 9,000 wildfires ignited across California in 2017 and 7,571 wildfires ignited in 2018, burning more than 2.8 million acres combined.¹² These fires caused the loss of 139 lives and destroyed tens of thousands of homes and businesses.¹³ They also poisoned the air across vast swaths of the state and harmed public health.¹⁴ Additionally, catastrophic wildfires compounded the challenge of reducing our greenhouse gas emissions by emitting millions of carbon particles into the air.¹⁵

Climate change, widespread tree mortality, weak utility infrastructure, and the proliferation of homes in the WUI magnify the wildfire threat and place substantially more people and property at risk than ever before.

Today, as illustrated in Figure-02 below, California's WUI is home to approximately 4.5 million homes and 11 million people.



¹¹ CAL FIRE, Incident Information as of Jan. 24, 2018, http://cdfdata.fire.ca.gov/incidents/incidents_stats?year=2017 (last visited Apr. 10, 2019).

¹²Id.

¹³ CAL FIRE, *Top 20 Most Destructive California Wildfires*, (Mar. 14, 2019), http://www.fire.ca.gov/communications/downloads/fact_sheets/Top20_Destruction.pdf (last visited Apr. 10, 2019); CAL FIRE, *Top 20 Deadliest California Wildfires*, (Feb. 19, 2019), http://calfire.ca.gov/communications/downloads/fact_sheets/Top20_Deadliest.pdf (last visited Apr. 10, 2019); CAL FIRE, *Top 20 Largest California Wildfires*, (Mar. 14, 2019), http://www.fire.ca.gov/communications/downloads/fact_sheets/Top20_Acres.pdf (last visited Apr. 10, 2019).

¹⁴ STATE OF CALIFORNIA GOVERNOR'S OFFICE OF PLANNING AND RESEARCH, et al., *California's Fourth Climate Change Assessment: Statewide Summary Report* at 38, <http://www.climateassessment.ca.gov/state/docs/20190116-StatewideSummary.pdf> (last visited Apr. 10, 2019).

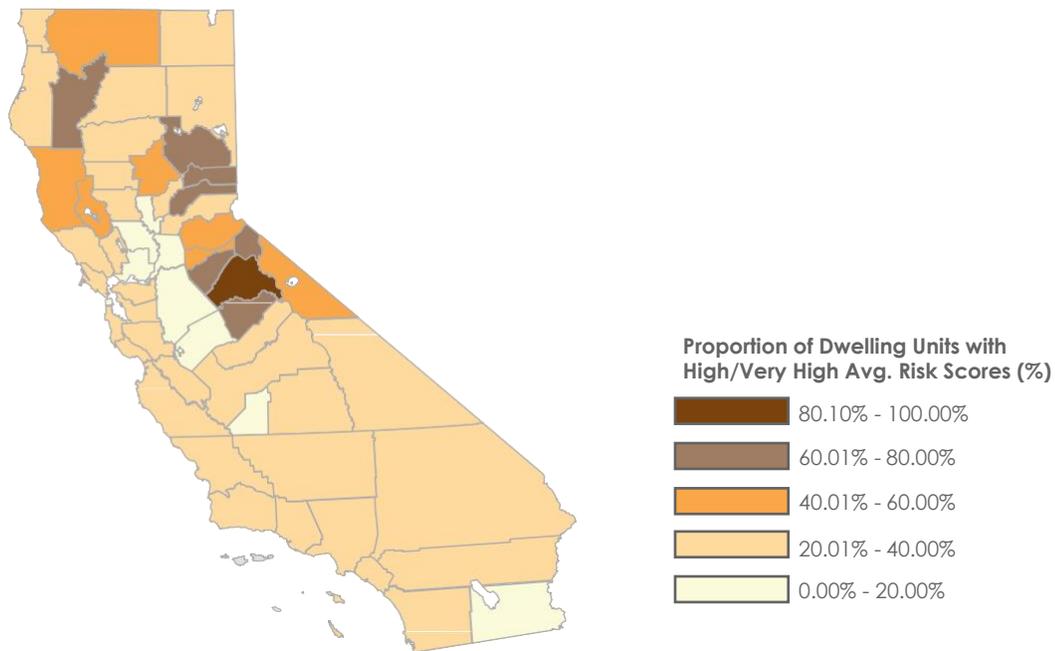
¹⁵ CALIFORNIA DEPARTMENT OF INSURANCE, *New Analysis Shows 2018 California Wildfires Emitted as Much Carbon Dioxide as an Entire Year's Worth of Electricity* (Nov. 30, 2018), <https://www.doi.gov/pressreleases/new-analysis-shows-2018-california-wildfires-emitted-much-carbon-dioxide-entire-years> (last visited Apr. 10, 2019) ("Fourth Climate Assessment").

¹⁶ CAL. DEP'T. INSUR., *The Availability and Affordability of Coverage for Wildfire Loss in Residential Property Insurance in the Wildland-Urban Interface and Other High-Risk Areas of California: CDI Summary and Proposed Solutions*, (Dec. 2017), <http://www.insurance.ca.gov/0400-news/0100-press-releases/2018/upload/nr002-2018AvailabilityandAffordabilityofWildfireCoverage.pdf> (last visited Apr. 10, 2019).

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More than 25 million acres of California wildlands are now classified as under very high or extreme fire threat, extending that risk to over half the state--a high-risk area that will likely grow over time.¹⁷ Decades of fire suppression have disrupted natural fire cycles and added to increased wildfire risk.

Figure-03
Proportion of Dwelling Units with High / Very High Average Risk Scores¹⁸



The state's major study on climate impacts, the Fourth Climate Assessment, projects that California's wildfire burn area likely will increase by 77 percent by the end of the century.¹⁹ The growing risk of catastrophic wildfires has created an imperative for the state to act urgently and swiftly to expand preemptive fire prevention and bolster wildfire response efforts to help protect vulnerable communities and reduce the severity of wildfires in our state.

All levels of government, communities, utilities, and residents must share in this responsibility in order to better defend California from this devastating threat.

¹⁷ See CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION, *Community Wildfire Prevention & Mitigation Report* (Feb. 22, 2019), <http://www.fire.ca.gov/downloads/45-Day%20Report-FINAL.pdf> (last visited Apr. 10, 2019).

¹⁸ *Ibid.*

¹⁹ Fourth Climate Assessment at 9.

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Wildfire Reduction and Mitigation Action Plan

Recognizing the need for urgent action, the Newsom administration has placed a high priority on fire prevention and recovery measures, as well as on identifying ways the state can become more resilient in the face of future fires.

On January 9, the Governor issued Executive Order N-05-19, directing CAL FIRE to recommend immediate, medium and long-term actions to help prevent destructive wildfires. With an emphasis on taking immediate actions to protect vulnerable populations, and recognizing a backlog in fuels management, the Executive Order called for a strategic approach to focus actions on California's most vulnerable communities to realize the greatest returns on reducing risk to life and property in the most fire-prone areas of the state.

To further augment fire prevention, the Governor signed a General Order in February rescinding previous authorization for California National Guard operations at the U.S.-Mexico border and redeploying personnel to prepare for the upcoming fire season by supporting CAL FIRE in fire prevention and fire suppression efforts.

The state needs to continue to build on this work with a focus on four specific areas:

11. General Prevention and Fire Suppression
12. Building Safer Utilities
13. Emergency Response
14. Land Use, Building Codes and Community Resilience

General Prevention and Fire Suppression

In response to Executive Order N-05-19, CAL FIRE released the Community Wildfire Prevention and Mitigation Report (CAL FIRE Report) on March 5. The CAL FIRE Report outlined a suite of actions to substantially reduce wildfire risk to 200 of California's most vulnerable communities this fire season.

On March 22, the Governor, citing the extreme peril posed by wildfire risk, issued an Emergency Proclamation directing CAL FIRE to immediately implement 35 emergency projects identified to protect lives and property. CAL FIRE will utilize existing funding totaling \$30 million from the Forest Health and Fire Prevention Program to immediately execute the priority fuel reduction projects.

The proclamation suspends certain requirements and regulations. To ensure environmental protection, CAL FIRE requested input from regulatory agencies, and will employ a set of best management practices designed to identify and avoid sensitive natural and archaeological resources.

As discussed below, the state has numerous new initiatives to prevent and suppress fires.

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Improving Vegetation Management and Forest Health

After decades of disinvestment, the state has committed hundreds of millions of dollars in recent years to improve the health and resiliency of the state's forests.

Despite these increases, much work remains to be done. Over the next five years, the state will commit over \$1 billion for critical fuel reduction projects, to support prescribed fire crews, forest thinning, and other forest health projects. In addition, the Governor redeployed the National Guard to support fire prevention efforts and is proposing to expand the California Conservation Corps to focus on forest management.

Since 2010, California has nearly doubled the number of acres treated annually by fuel reduction, and has tripled the number of acres treated by prescribed burning. However, these efforts—less than 33,000 treated acres in 2017-18—are dwarfed by the number of acres that require attention. California's Forest Carbon Plan sets a goal of treating 500,000 acres of private land every year.

As the owner of 57 percent of California's forestland, the federal government must do its fair share to reduce fire risk. Specifically, the Governor has joined the governors of Washington and Oregon to call for the federal government to double the investment in managing federal forestlands in our states due to the high-risk of wildfires.²⁰

Support for Regional Projects

In March 2019, the California Natural Resources Agency and Department of Conservation announced the award of \$20 million in block grants for regional projects to improve forest health and increase fire resiliency. The Regional Forest and Fire Capacity Program helps communities prioritize, develop and implement projects that strengthen fire resiliency.

Suppression

In recent years, the state has added additional year-round fire engines and firefighters to address longer, more severe fire seasons. The state has also launched a major initiative to replace Vietnam War-era helicopters with new state-of-the-art helicopters with enhanced firefighting capabilities. The Governor's Budget proposes to further expand the state's firefighting surge capacity by adding additional crews and engines. The Budget also includes funding to operate C-130 federal air-tankers.

To spur engagement from innovators in fire safety technologies and more effectively fight fires, Governor Newsom signed Executive Order N-04-19 to modernize the state contracting process for goods and technology systems. The "Innovation Procurement Sprint" will enable CAL FIRE to identify solutions to more effectively detect wildfire starts and predict the path of wildfires.

²⁰ Letter from Gov. Gavin Newsom to Pres. Donald J. Trump (Jan. 8, 2019), <https://www.gov.ca.gov/wp-content/uploads/2019/01/1.8.19-Joint-Letter.pdf>

Figure-04
Additional Recommendations on Prevention²¹

Implement Additional Recommendations from the Community Wildfire Prevention and Mitigation Report: The strike force recommends that the following additional actions from the CAL FIRE Report be considered and, when appropriate, expedited.

A. Create Incentives for Fuel Reduction on Private Lands

- Small non-industrial private landowners make up approximately 25 percent of California's forestland owners and managers, almost twice as much as private industrial forestlands. These private landowners may not have the resources to actively manage their forests and are subject to the same fire risk as other Californians.
- The Board of Forestry and Fire Protection should consider changes in regulations, through an emergency rule-making process as needed, to encourage private landowners to engage in fuel reduction projects.

B. Develop Methodology to Better Assess At-Risk Communities

- The methodology used to identify priority projects provides a robust assessment of near-term projects that can be implemented before the 2019 fire season. This methodology should serve as the basis for ongoing assessment methods to evaluate short- and long-term wildfire risk reduction strategies across the state, with specific attention to identifying vulnerable communities noting that long-term planning and decision-making efforts to reduce wildfire risk require consideration of additional factors, including more robust integration of climate risk factors into fire vulnerability assessments.
- The Forest Management Task Force should establish an interagency team with experience in spatial analysis, technology support, environmental management, public health, climate change, and social vulnerability to develop the methodology enhancements needed to inform the long-term planning needs of both state and local agencies.

C. Jumpstart Workforce Development for Forestry and Fuel Work

- The California Natural Resources Agency should identify specific opportunities to develop and encourage workforce training programs.
- The goal should be to increase the number of properly trained and compensated personnel, with an emphasis on providing opportunities for local residents, available to perform fuel reduction and forest management and restoration work in the private sector. These training programs should be implemented before the end of 2019.

D. Develop a Mobile Data Collection Tool for Project Reporting

- The California Natural Resources Agency should procure a mobile fuel reduction data collection application to be used by all land management departments and agencies to increase accuracy and ease of data collection in the field.

²¹ See CALIFORNIA DEPARTMENT OF FORESTRY AND FIRE PROTECTION, *Community Wildfire Prevention & Mitigation Report* (Feb. 22, 2019), <http://www.fire.ca.gov/downloads/45-Day%20Report-FINAL.pdf> (last visited Apr. 10, 2019).

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E. Develop a Scientific Research Plan for Wildfire Management and Mitigation, with Funding Recommendation

- The Forest Management Task Force should develop a research plan with prioritized funding.
- Topics that should be considered include:
 - Leverage the Governor's Request for Innovative Ideas (RFI2).
 - Best management practices in the face of a changing climate and developing an understanding of forest health and resilience.
 - Use of LIDAR, satellite, and other imagery and elevation data collection, processing and analysis for incorporation into state management plans and emergency response.
 - Funding for collaborative research to address the full range of wildfire-related topics. Important research investments could include both basic and applied research as well as social science to better understand social vulnerability, human behavior, land use, and policies that support resilience in communities that coexist with fire and mitigate impacts on life and property.
 - Research and development on new WUI building test standards in future research programs including the use of damage inspection reports from recent fires.

F. Develop Models and Best Management Practices for Evacuation Planning

- CAL FIRE and the Governor's Office of Emergency Services (Cal OES) and the Standardized Emergency Management System Advisory Committee should develop robust local evacuation planning models for high or very high Fire Hazard Severity Zones based upon best practices from within California.

Explore Public Private Partnerships and Capital Investment in Forest Waste Management

Businesses: Public-private partnerships that find secondary uses for forest waste and increase fuel reduction can be a constructive part of the solution. Fostering innovation and entrepreneurship, these could include biomass facilities, especially those that use the energy on-site or as an "alternate fuel" for electric vehicles, cross-laminated timber using beetle kill wood, wood chips or pellets, or composting practices for soil restoration.

Expanding small scale businesses around forest waste, like micro-mills or carpentry using "Alpine Blue" (beetle kill) wood, will help scale-up forest treatment on small, private land. The strike force recommends that the Natural Resources Agency explore how best to facilitate these types of partnerships, recognizing the critical role they play in both forest management and community economic development.

Building Safer Utilities

The state's most destructive wildfires have been sparked by utilities. Electrical fires tend to ignite during extreme wind events in remote areas with limited access for first responders. To reduce the overall risk of catastrophic wildfires for vulnerable communities, public and private utilities must make needed investments in grid hardening, vegetation management, and fire detection technologies.

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Current Process for Utility Safety Investment

Regulatory review of safety investments follows the same general approach as discussed in Part 4 of this Report. Historically, this meant that investment in fire safety and mitigation was driven largely by the utilities. The California Public Utilities Commission (CPUC) adopted safety regulations for overhead electrical systems in Rule 35 of CPUC General Order 95. Utilities were required to comply with those regulations but set their own priorities for safety investment.

This largely utility-defined fire mitigation program resulted in inconsistencies in investment among the state's investor-owned utilities. SDG&E engaged in a robust fire mitigation and safety program after experiencing devastating fires in its service territory in 2007 and has become a recognized leader in wildfire safety.

More recently, SCE implemented a wildfire safety program designed to mitigate the challenges of wildfires, including the development of operational practices and inspections, vegetation management activities, and community outreach.

PG&E has begun to implement wildfire safety measures, but its efforts lag behind the other IOUs, which is particularly troubling given that it serves 40 percent of California's utility customers and many counties in high-risk areas.

CPUC and Wildfire Mitigation Plans

As the scale of utility-sparked wildfires increased, the CPUC, through statutory changes and on its own initiative, increased oversight of utility wildfire mitigation efforts. Each IOU is now required to prepare and submit a wildfire mitigation plan (WMP) annually to the CPUC for review and approval.²² The CPUC, in consultation with CAL FIRE, will evaluate the WMPs.²³ As part of this process, the CPUC held a public workshop and two days of technical workshops on wildfire mitigation. A comparison of the WMPs submitted by PG&E, SCE and SDG&E is attached as [Annex A](#) to this Report. The CPUC expects to approve the WMPs in May 2019 and thereafter oversee compliance with the WMPs. The CPUC intends to develop and refine the content of and process for review and implementation of wildfire mitigation plans to be filed in future years.

While substantial efforts are underway to build safer utilities, the strike force has identified areas for immediate improvement.

Recommendations

Establish a More Rigorous WMP Process: The WMP requirements should be revised to include a section on long-term fire management and a process to ensure faster compliance with the proposed plan. WMPs should also include specific performance-based risk mitigation metrics that are independently and scientifically verified as well as

²² Cal. P.U.C. § 8386.

²³ The IOUs that are required to submit WMPs are PG&E, SCE, SDG&E, Liberty Utilities/CalPeco Electric, Bear Valley Electric Service, and Pacific Power.

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cost-effective. Further, to hold IOUs accountable, California should consider putting in place an auditing system tied to financial incentives.

- **Safety Incentives:** Consider other CPUC reforms to better align IOU incentives with safety, including:
 - Adjust the allowed return on equity (ROE) based on wildfire safety performance
 - Align compensation and stock options of executives with wildfire safety performance
 - Make Board composition contingent on wildfire safety performance
 - Require Board-level reporting to CPUC on wildfire safety issues
- **Invest in Technology and Innovation:** New technologies, including weather stations, drones, and artificial intelligence have tremendous potential as tools to more effectively prevent, detect and respond to wildfires. The CPUC convened the state's first Wildfire Technology Innovation Summit in March 2019 to gather national and international thought leaders and practitioners from state and local governments, academia, industry and other areas to inform and collaborate as to innovative technological solutions to wildfire risk, including:
 - Statewide deployment of weather stations and cameras paired with meteorology and fire behavior modeling
 - Artificial Intelligence-based visual recognition technology to analyze satellite imagery to determine fuel conditions and vegetation risks in proximity to utility lines
 - Fire modeling tools to support all fire departments and emergency responders across the state
 - Machine learning and automation inspections for increased safety assurance and regulatory compliance
 - Widespread adoption of aerial patrols, LIDAR and advanced imaging for vegetation management and utility infrastructure inspections
- **Update Models to Reflect Climate Change:** Climate change has rendered many assumptions about California's climate outdated. Historical records for humidity, wind, rain, and temperature are regularly broken. CPUC regulations—such as General Order 95 governing electrical lines—are premised on historical climate trends which may no longer be accurate. The state should work with experts to update their models on climate change, using the existing Adaptation Clearinghouse and Climate Assessment process as a central location for data, maps, and information. The state should also facilitate cross-learning with utilities, which often make capital investments in physical infrastructure over decades.
- **More Cost-Effective Financing for Wildfire Mitigation Safety Investments:** A critical element of mitigating utility-sparked wildfires is substantial and immediate investment in electrical grid safety. The state may be able to mitigate the rate impact of this investment by offering a lower cost financing alternative through a dedicated rate

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stream. Where IOUs fall behind on making needed investments, a reduced return on equity for this deferred maintenance can further reduce ratepayer impact.

Emergency Response

In a matter of hours, 52,000 people from rural Paradise and surrounding communities evacuated onto roads built for a fraction of that capacity and converged on Chico, overwhelming the recovery system. The scale and speed of catastrophic, wind-driven wildfires, like the Camp Fire, incapacitate existing emergency response systems, local infrastructure and planned recovery efforts. Many California communities designed their fire emergency response and recovery systems decades ago, using old technology and outdated fire modelling. A clear overhaul of the California emergency response systems and the underlying infrastructure is needed.

The lack of broadband in rural communities and access to cell service make it difficult to communicate clear emergency evacuation orders to residents or locate residents who are in trouble. Roads in rural counties were often designed around old gold-rush tracks that were not designed to accommodate the number of residents using those roads, the ability of emergency vehicles to access the roads, or the need for defensible space. Evacuation plans assume that residents can evacuate and do not identify safe havens and shelter-in-place options for residents.

The state should partner with local government to encourage updates to local emergency plans, to increase resident awareness of those plans, and to otherwise improve emergency prevention and response efforts. Further, the state should encourage local governments to adopt recently issued guidelines to improve communications during an emergency.

On February 13, the Governor signed AB 72 (Assembly Committee on Budget, Chapter 1, Statutes of 2019), which appropriated \$50 million for an emergency preparedness campaign focused primarily on California's most vulnerable populations, including the elderly, disabled, and those in disadvantaged communities. The California for All Emergency Preparedness Campaign—a joint initiative between California Volunteers and Cal OES—will augment the efforts of first responders by ensuring at least one million of the most vulnerable Californians are connected to culturally and linguistically competent support.

The Emergency Preparedness Campaign will provide:

- \$24.25 million in grants to community-based organizations across the state to prepare residents for natural disasters through education and other resources designed to bolster resiliency.
- \$12.6 million to support community efforts to build resiliency and respond to disasters by dispatching expert disaster teams to key regions and expanding citizen emergency response teams (CERT).
- \$13.15 million to assist community groups in the development of a linguistically and culturally appropriate public awareness and outreach campaign, directed specifically at the most vulnerable California communities.

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Recommendations

- **Governor's Emergency Preparedness Summit:** By the end of June 2019, Cal OES, in partnership with the League of California Cities and the California State Association of Counties, will convene first responders, government agencies, local governments, community residents, and technical experts to develop plans for the state's emergency preparedness. The summit will highlight best practices of local communities, share resources that have worked around the world, and develop the networks necessary for ongoing preparedness improvements.
- **Develop Models and Best Management Practices for Evacuation Planning:** Cal OES, in collaboration with CAL FIRE, the Standardized Emergency Management System Advisory Committee, and local governments should develop evacuation planning models for high or very high Fire Hazard Severity Zones based upon best practices. These models can be a tool for local governments to use when developing location specific evacuation plans. Cal OES should consider how adoption of these models can be incorporated into County Operational Area plans of jurisdictions that also receive FEMA program grant dollars.
- **Develop Methodology to Better Assess Communities At-Risk:** The Forest Management Task Force should establish an interagency team with experience in spatial analysis, technology support, environmental management, public health, climate change, and social vulnerability to develop methodology improvements to inform the long-term planning needs of both state and local agencies.

Land Use, Building Codes, and Community Resilience

According to the Fourth Climate Assessment, the average area burned statewide will increase by an estimated 77 percent by 2100. At the same time, the housing affordability crisis is forcing more Californians to move farther from urban areas, and often into high-risk areas. An additional outcome of these land use patterns is the year-by-year increase in driving, or "vehicle miles traveled" (VMT), which in turn increases carbon emissions and vehicle pollution across the states. California's housing affordability crisis is increasingly fueling the dangers of climate change and wildfire. Reducing fire risk to these areas will require changes in how higher-risk areas are designed, planned, built, served by utilities, and allowed to grow, and will require people across the state to participate in the solution.

The Governor has made housing production and affordability a key priority. California already has strong standards to reduce VMT. The strike force recommends that at the state and regional level, governments and planners incorporate CAL FIRE's fire risk projections and the fire projection information in the Adaptation Clearinghouse and Fourth Climate Assessment into short-term and long-term planning, and begin to de-prioritize new development in areas of the most extreme fire risk. In turn, more urban and lower-risk regions in the state must prioritize increasing infill development and overall housing production.

California has made progress in developing and adopting stringent wildland building codes. Since 2008, new construction in California's wildlands must use ember-resistant building materials. For homes built before the 2008 standards, CAL FIRE is working to

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develop a list of low-cost retrofit steps homeowners can take. In addition, the Office of the State Fire Marshal (OSFM) maintains an advisory committee of fire and building officials that continuously considers building code updates to improve fire safety. Most recently, OSFM advanced building code changes including sealing of garage door gaps, sealing skylights and safety improvements to outbuildings.

Developing new housing in Very High Fire Hazard Severity Zones presents challenges. Since 2015, CAL FIRE has assisted local governments in land use planning. CAL FIRE is working to identify subdivisions at significant fire risk without secondary evacuation routes and to make recommendations to improve access.

Homeowners are encouraged to actively maintain defensible space, which is defined as a minimum 100-foot area around a home. Maintenance is an ongoing task. California inspected more than 217,600 homes for defensible space compliance in 2017-2018 alone.

It is critical that roads and other infrastructure be more fire defensible and evacuation ready for the populations in the WUI. All levels of government must establish clear contingency plans with local communities to identify and create temporary refuge areas and shelter-in-place procedures to help fire evacuees survive when unable to escape a wildfire.

Cal OES, in coordination with local communities and the Standardized Emergency Management System Advisory Committee, should consider developing local evacuation planning models for high or very high fire hazard severity zones based on best practices in California.

Recommendations

- **Prioritize Building In Less Fire-Prone Areas:** The strike force recommends that at the regional level, governments and planners incorporate CAL FIRE's fire risk projections and the fire projection information in the Adaptation Clearinghouse and Fourth Climate Assessment into short- and long-term planning, and consider how to encourage more urban and lower-risk regions in the state to provide an alternative for those otherwise shut out of the state's housing market.
- **Local General Planning:** The strike force recommends that the safety element of local general plans be strengthened in high-risk areas, specifically for local governments to include fire risk projections into general and specific plans, including through zoning and design standards. Additionally, OPR should prioritize providing technical assistance support to these communities, many of which are rural and lack planning resources.
- **Cost-Effective Home Retrofits:** While California has stringent building standards and requirements for defensible space, the intensity of the wildfire threat in California now warrants higher levels of fortitude.
 - CAL FIRE should consider options to encourage cost-effective home hardening to create fire resistant structures within the WUI and with a focus on vulnerable communities.

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- The Forest Management Task Force should work with the Department of Insurance to seek input from the insurance industry on potential rebates or incentives for homeowners.
- CAL FIRE and the Department of Housing and Community Development should develop a list of low-cost retrofits that provide comprehensive fire risk reduction to protect structures from fires spreading from adjacent structures or vegetation and to prevent vegetation from spreading fires to adjacent structures.
- Consideration should be given to implementing a funding mechanism to assist individuals with cost-effective home retrofits. The model used by the California Earthquake Authority provides an example of such a mechanism.
- **Defensible Space and Forest and Rangeland Protection:** Compliance and enforcement is key to ensure that defensible space standards are met. CAL FIRE should review and make recommendations to increase defensible space.

Part 2: Mitigating Climate Change through Clean Energy Policies

California's recent experience with catastrophic wildfires confirms the critical importance of climate change mitigation efforts. As discussed in Part 1 of this report, the devastating impacts of climate change, predicted for years, are now a reality. As the state moves quickly to respond to these impacts and become more resilient, we must remain focused on addressing climate change through clean energy policy.

The state's IOUs have played a significant role in moving California away from fossil fuels—from enabling the renewable energy markets to mature with continuing decreasing costs to carrying out energy efficiency mandates and demand response and storage programs. While other retail providers have entered the energy market and helped advance clean energy, IOUs still play a critical role in the state's efforts to address climate change. To continue the state's progress in reducing greenhouse gas emissions in the energy sector, California needs investment-worthy IOUs.

California's efforts to mitigate and adapt to climate change must remain an overarching priority for the state and for the IOUs. Action must be taken to facilitate progress toward a 100 percent clean energy grid. We also must ensure that the state's current system of oversight keeps up with the evolving energy market so that reliability, affordability, and continued progress toward California's climate goals is not compromised.

While working to increase carbon-free energy resources, utilities are also improving wildfire prevention and safety planning practices. Investments in safety at a level necessary to stay ahead of volatile climate conditions come at a cost, and this cost is being incurred at a time when maintaining low electricity rates is vital to meeting California's climate goals, as the next steps in carbon reduction involve electrifying the transportation and building sectors of the economy.

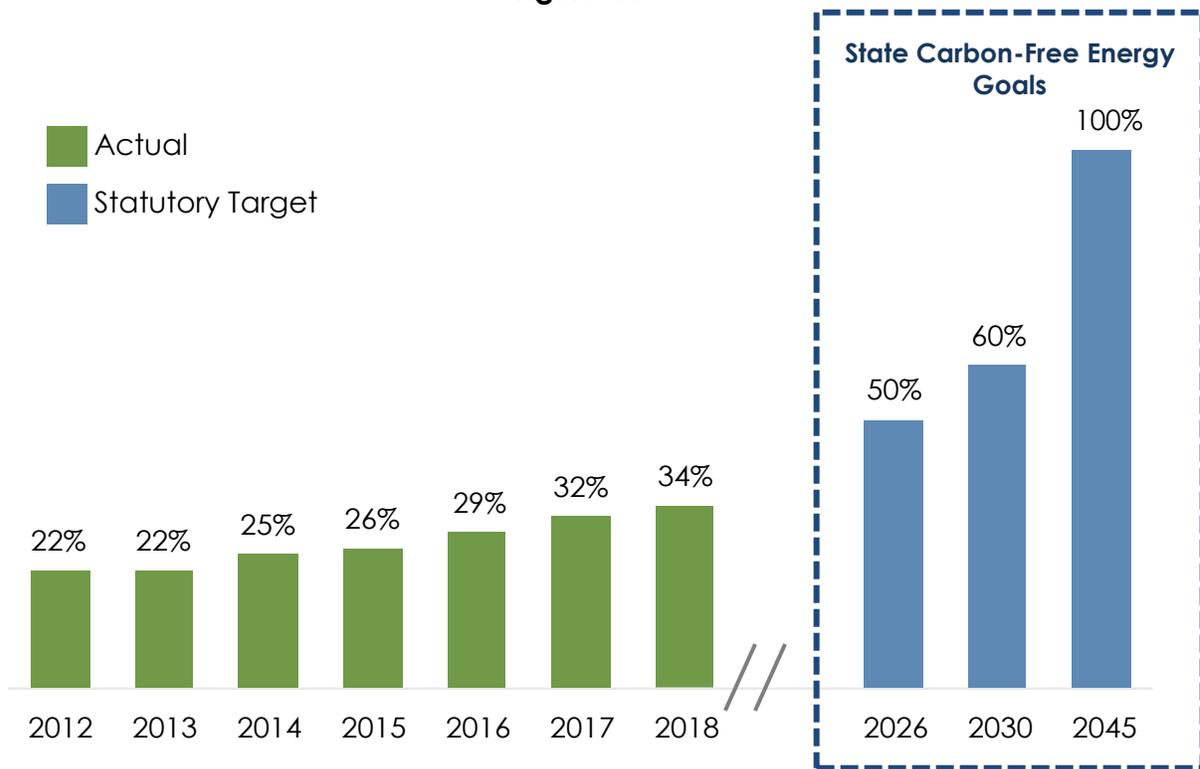
Safety investments have many benefits. A modern transmission and distribution system will create high-quality jobs and long-term economic stability, in addition to making us more resilient to the impacts of climate change and protecting the millions of residents living in fire-prone areas.

Renewable Energy Development

California has made extraordinary progress in meeting its energy sector climate goals. The state is a leader in replacing conventional forms of electric generation with cleaner sources using wind, solar, and other renewable resources instead of fossil fuels. Currently approximately 34 percent of retail electric sales are served by renewable resources and over 55 percent of sales are covered by carbon-free resources, including hydroelectric and nuclear energy. Figure-05 illustrates the progress toward renewable and carbon-free energy development.

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Figure-05



California's renewable energy industry is a powerful economic force in the state. Wind and solar energy projects brought over \$70 billion in capital investments to California, establishing the state as a leader in renewable generation and spurring broader innovations.²⁴ Future electrification of buildings and transportation offers even more benefits, as those sectors represent the most cost-effective opportunities to decarbonize.²⁵

Over \$22 billion in clean technology venture capital funding was invested in California from 2007 to 2017.²⁶ One 2015 study shows that from 2003-2014, approximately 52,000 jobs were created in California due to the construction of renewable energy facilities.²⁷ The construction of those facilities also created and facilitated a number of indirect jobs and opportunities. In total, approximately 130,000 jobs were created. The study also projected that increasing California's renewable portfolio standard to 50 percent could

²⁴ AMERICAN WIND ENERGY ASSOCIATION, *Wind Energy in California*, <https://www.awea.org/Awea/media/Resources/StateFactSheets/California.pdf> (last visited Apr. 10, 2019); SOLAR ENERGY INDUSTRIES ASSOCIATION, *Solar State By State*, <https://www.seia.org/states-map> (last visited Apr. 10, 2019).

²⁵ California Energy Commission, *Deep Decarbonization in a High Renewables Future*, (June 2018), https://www.ethree.com/wp-content/uploads/2018/06/Deep_Decarbonization_in_a_High_Renewables_Future_CEC-500-2018-012-1.pdf (last visited Apr. 10, 2019).

²⁶ NEXT 10, 2018 California Green Innovation Index (10th Ed.), (2016) (<https://www.next10.org/sites/default/files/2018-ca-green-innovation-index.pdf> (last visited Apr. 10, 2019)).

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²⁷ UC BERKELEY LABOR CENTR., INST. FOR RESEARCH ON LABOR AND EMPLOY'T., *Job Impacts of California's Existing and Proposed Renewables Portfolio Standard*, (Aug. 2015), laborcenter.berkeley.edu/pdf/2015/job-impacts-ca-rps.pdf (last visited Apr. 10, 2019).

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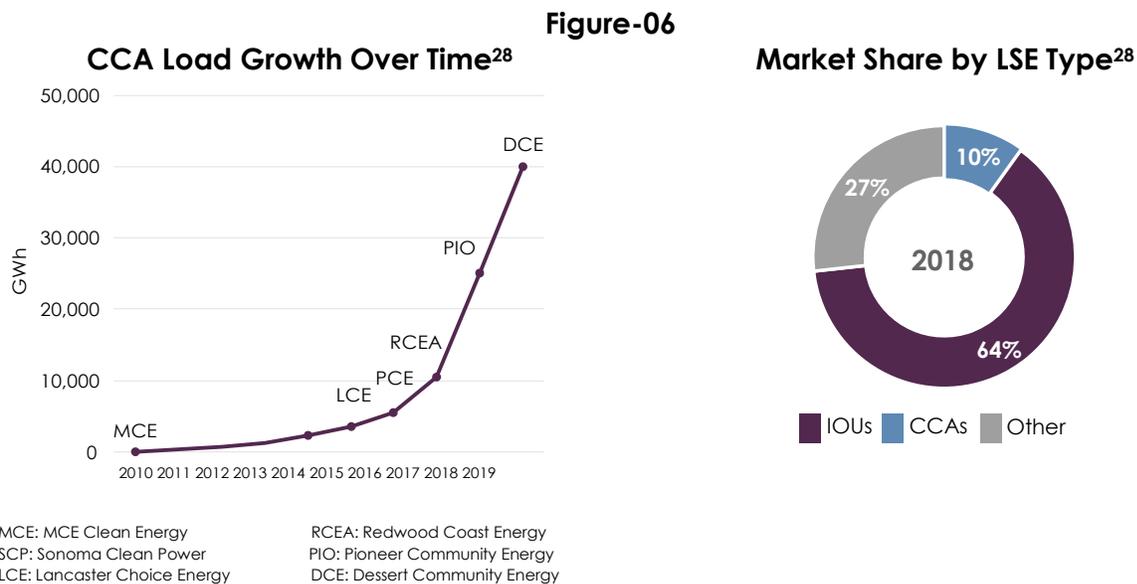
create an additional 354,000 to 429,000 direct jobs from the construction of new renewable generation, and hundreds of thousands of indirect jobs and opportunities.

Today, we have both a challenge and an opportunity: a challenge to continue progress toward 100 percent carbon-free energy generation and an opportunity to transform the state's economy. During this transition period, we need to make sure we have effective tools and protections to manage costs to consumers, ensure reliability, and reduce risks.

Challenges in the Evolving Electric Sector

Maintaining Reliability with Less Centralized Control

As more IOU customers install rooftop solar and storage, migrate to community choice aggregators (CCAs) and purchase energy from energy service providers (ESPs), IOUs are focusing on providing electric transmission and distribution service. New CCAs and ESPs are entering the market, acquiring energy in the wholesale market from electric generating companies, and selling energy to customers at retail. As a result, IOUs increasingly are becoming "poles and wires"--companies that are responsible for constructing, maintaining, and operating the facilities over which electric energy is delivered to customers. Figure-06 illustrates the CCA load growth over time.



Between rooftop solar, Community Choice Aggregators (CCAs) and Direct Access providers (ESPs), as much as 85% of Investor Owned Utility (IOU) retail electric load will be effectively unbundled and served by a non-IOU source or provider by the middle of the 2020s".

The IOUs delivery electricity and perform other important functions, such as metering and billing (including collecting fees from consumers to fund certain public-interest programs). CCAs typically do not have credit ratings which can limit their ability to

²⁸ See UCLA Luskin Center for Innovation's The Growth in Community Choice Aggregation, dated July 2018. CCA annual load data from each CCA's respective implementation plan. "Other" category represents the difference between the California Energy Commission's statewide load estimation and the IOU and CCA loads.

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obtain the financing necessary to enter into long-term contracts at the scale needed to achieve a zero-carbon grid by 2045 and to meet Resource Adequacy (RA) requirements.

Meeting Provider of Last Resort (POLR) Obligations

Customers who choose not to obtain retail service from a CCA or an ESP, or who may be subject to a failure by a CCA or ESP to provide service, currently are protected by the requirement that an IOU must step in to provide energy under the IOUs' POLR obligation.²⁹ If IOUs become primarily "poles and wires" businesses, it raises the question as to whether the IOUs should continue to provide POLR service or whether another entity should assume this responsibility.

Avoiding Significant Rate Increases and Addressing the Need for Investment

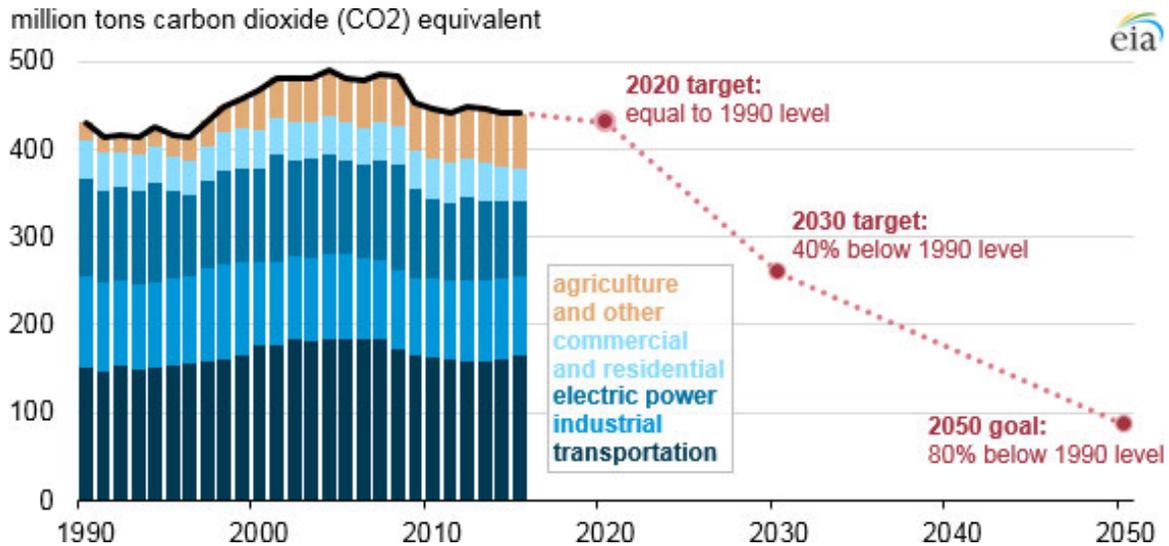
Major investments will be needed in the electric transmission and distribution system in California to make the system less susceptible to wildfires, to otherwise modernize it, and to accommodate changes in generation and demand. It will be important to have financially strong utilities so they can attract the capital necessary to make these investments at low rates (since the cost of capital is passed along to consumers). Keeping capital costs down is particularly important in light of potential increases in other costs, including the cost of large wildfire liabilities.

Continuing Progress in Reducing Certain Carbon Emissions

As shown in Figure-07 below, California has made significant progress in reducing carbon emissions. In the energy sector, the IOUs have been instrumental in reducing carbon emissions. Their long-term contracts for renewable energy resources have driven prices down as new technologies have been deployed at commercial scale. Some CCAs have more aggressive renewable targets than the IOUs, and benefit from the early IOU renewables projects because they are benefitting from today's lower solar and wind energy prices. New CCAs are required to collect an adjustment charge from their customers to reflect the cost of older, long-term contracts that IOUs entered into on their behalf.

²⁹ The IOUs have a duty to provide distribution service on a non-discriminatory basis to the customers in their service territory. This currently includes the POLR obligation to sell energy at retail to those customers who opt out of obtaining service from a CCA. This POLR obligation also would extend to any situation in which a CCA or ESP were to cease providing service for some reason such as in the case of a bankruptcy.

Figure-07
California Greenhouse Gas Emissions by Sector³⁰



Distributed Resources

California utilities provide a means to implement various Distributed Energy Resources (DER) initiatives throughout the state.³¹ California has experienced phenomenal growth in electric generation by customers on a distributed basis (in contrast to obtaining energy from large, central generating stations), particularly in the form of rooftop solar generation. In the future, it is expected that more customers will install battery storage on a distributed basis.

Many of these programs grew as a result of state mandates carried out by IOUs. Few of the programs (with the notable exception of net energy metering) directly involve CCAs, ESPs or publicly-owned utilities (POUs). Additionally, the California Independent System Operator (CAISO) has developed an innovative mechanism to allow distributed resources to join together and bid into the wholesale market, providing revenue for distributed resources as well as a benefit to the electrical system. Distributed resources, however, contribute to the fragmentation of the energy supply, and need to be managed to ensure they continue to benefit the electricity system.

Adapting to Intermittent Electric Generation

Today, almost two-thirds of California's renewable energy generation capacity is from intermittent sources such as wind and solar. The output from these sources vary

³⁰ See U.S. Energy Information Administration, based on California Air Resources Board data.

³¹ Those initiatives include (i) providing rebates to customers that install self-generation facilities or storage; (ii) these are funded by a charge that the IOUs collect from their consumers; mandating that IOUs (and to a lesser extent CCAs and POU) directly procure battery storage technologies that connect at the distribution grid level; and (iii) developing pilot projects to test the ability of DER to offset the need to build new distribution lines; and developing programs within the RPS that target distributed solar resources.

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depending on the weather, season, and time of day. This imposes challenges on electric grid operations. Generation output from wind and solar sources is not controlled by the grid operator and can increase or decline rapidly, which requires adjustments in generation from other sources (or adjustments in demand) to keep supply in balance with demand. In particular, large amounts of low-cost solar electric generation during the middle of the day has created a situation where on some days there can be an overproduction of electricity and on many days generation from other sources must ramp up rapidly in the afternoon.

Overproduction can be a good problem to have since that energy, coupled with the right policies, can be harnessed to electrify other parts of the economy, such as transportation and buildings. A diverse portfolio of renewable resources and policies, including time-of-use rates, demand response programs, storage, energy efficiency, increased regional coordination, and electric vehicle charging, will continue to be critical to reduce the need for the carbon-intensive resources generally used to meet the afternoon ramp and overnight demand.

Reliability

Several factors, including flat demand for electricity and growth in renewable energy generation, have contributed to substantial retirements of fossil-fueled electric generation (mainly natural gas). Stricter environmental standards have accelerated this trend. Yet flexible resources continue to be needed in the near term to quickly ramp up as solar generation resources go off-line or load increases, and during extended cloudy periods. Over the long-term, it will be critical to ensure that cost-effective clean energy resources are available for reliability and other grid services.

Resource Adequacy Requirements

California has responded to energy shortages in the past by requiring that load-serving entities (LSEs) contract to purchase sufficient electric generation (or distributed resources or storage) to meet their forecasted peak demand plus a pre-set reserve margin. Several factors caused some LSEs to experience difficulty meeting their RA requirements.³² Some LSEs have had to obtain temporary waivers from the CPUC and others have been penalized. Additionally, IOUs have taken on procurement of some resources needed for reliability that other LSEs may not want to procure. In some cases, the CPUC required IOUs to enter into long-term contracts needed for reliability, including contracts for battery storage. This option is less effective as IOUs have fewer and fewer retail customers.

Maintaining Public Purpose Programs; Promoting Energy Efficiency and Demand Response.

California has been a leader in energy efficiency, with electricity use per capita remaining virtually flat over the past four decades despite substantial economic growth

³² Challenges in the RA market include (i) a growing number of LSE competing to buy the same existing resources, (ii) a shrinking pool of resources LSE can procure as the planned retirement dates of older natural gas plants approach, and (iii) the inability/unwillingness of LSEs to enter into long-term contracts for some needed resources.

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during that period.³³ The state has had success with programs that align the incentives of utilities and consumers in using less energy, including programs providing financial incentives or rebates, incorporating efficiency requirements in various codes and standards, and providing education and technical assistance.

Demand response programs, which provide incentives for customers to adjust their consumption during certain periods, have also been successful. Similarly, time-of-use rates provide incentives for customers to adjust their energy use to optimize renewable resources. New demand response programs are being developed that can increase loads at times when there is an abundance of solar generation.

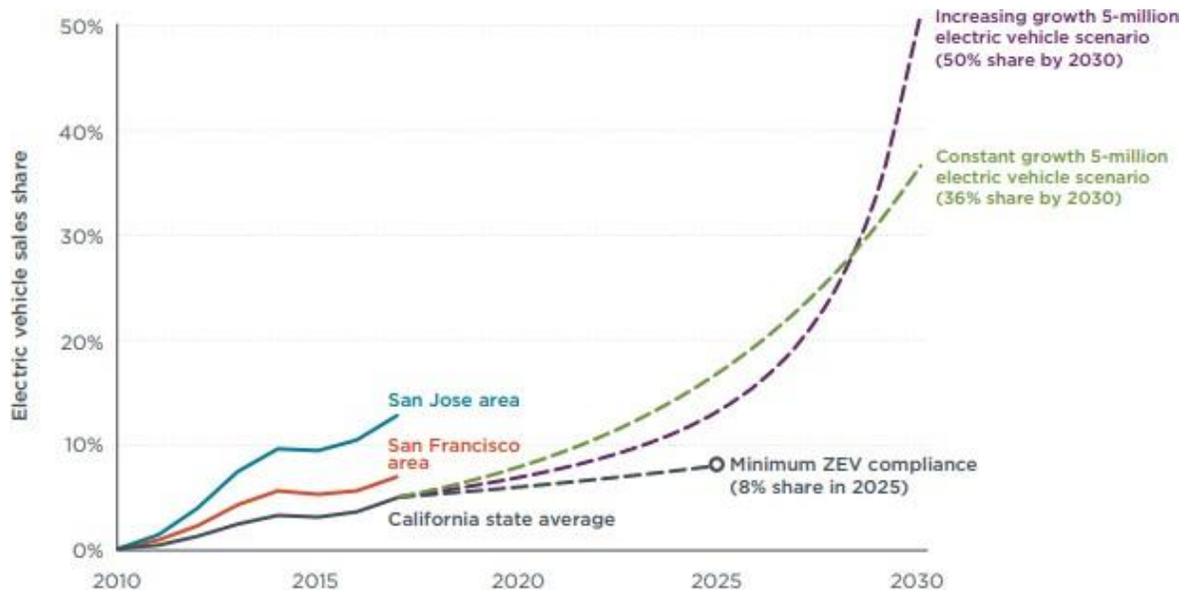
California has relied on the IOUs to implement public-purpose programs to fund energy efficiency and demand response, as well as reducing rates for low-income customers and renewable energy incentives. If the IOUs become "poles and wires" companies, it will be important to ensure that this change does not threaten these public-purpose programs.

Electric Vehicle Integration

A critical component of California's efforts to meet its goals to reduce carbon emissions is to replace vehicles that use gasoline or diesel fuel with electric vehicles or hydrogen vehicles. The CPUC and other agencies in California support this effort by promoting deployment of charging stations, providing rate incentives (encouraging charging at off-peak hours), and other programs. Growth in vehicle electrification will result in increases in electric consumption over time and further increase the dependence of Californians on the electrical grid and the utilities that own and operate it. Over half of California's greenhouse gas emissions are from the transportation sector. Thus, the success of transportation electrification programs is essential to meeting the state's climate goals, and will depend on electricity being clean and available, and a less expensive option to fuel vehicles than gasoline. This provides one justification, among many, for efforts to minimize increases to electric rates. Figure-08 illustrates the California vehicle forecast.

³³ Energy efficiency helps to reduce the need for electric generation, including from sources that emit carbon and other greenhouse gases. Targeted energy efficiency, as well as programs such as demand response and time-of-use pricing, to reduce energy use at periods of high prices or demand, contributes to a more reliable electric grid with less need for physical improvements to the grid.

Figure-08
California Electric Vehicle Adoption Forecast³⁴



Recommendations

- **Evaluate Resource Adequacy Back-Stop Options Through the Legislative Process:** Procurement by the IOUs, under supervision by the CPUC, has been effective over time. But as the state transitions to more LSEs, gaps and inefficiencies could emerge. To manage this transition, new procurement support models, including a new state procurement entity that could enter into long-term contracts, provide credit support or otherwise facilitate purchases of electric energy, should be explored. Procurement support could have a number of benefits, including providing back stop resource adequacy procurement and ancillary services needed to support reliability. To maintain cost-effectiveness and achieve rate benefits, it will be important to continue to focus on procurement through integrated resource planning or a similar framework. In addition, the POLR obligation discussed above and the responsibility for implementing public purpose programs could also be examined.
- **Increase Transparency for Load-Serving Entities and State Coordination of Procurement:** Customers in California should have access to complete and accurate information about the energy they are procuring, regardless of whether the procurement is from an IOU, POU, CCA, or ESP. This should include transparent information about prices, compliance with resource adequacy requirements, and the sources of energy being procured (including reliance on renewable energy sources). To the extent that customers have a choice regarding their retail electric provider, transparency is required so that they are able to make informed choices. Of course, transparency also is required for the appropriate government agencies to

³⁴ See International Council on Clean Transportation, May 2018 Briefing.

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ensure compliance with applicable RPS, resource adequacy, and other requirements. Additionally, new programs or legislation may be needed for coordination of purchasing by CCAs and ESPs to ensure they continue to meet California's standards for integrated resource planning, resource adequacy, clean energy progress, consumer protection, and hedging risk.

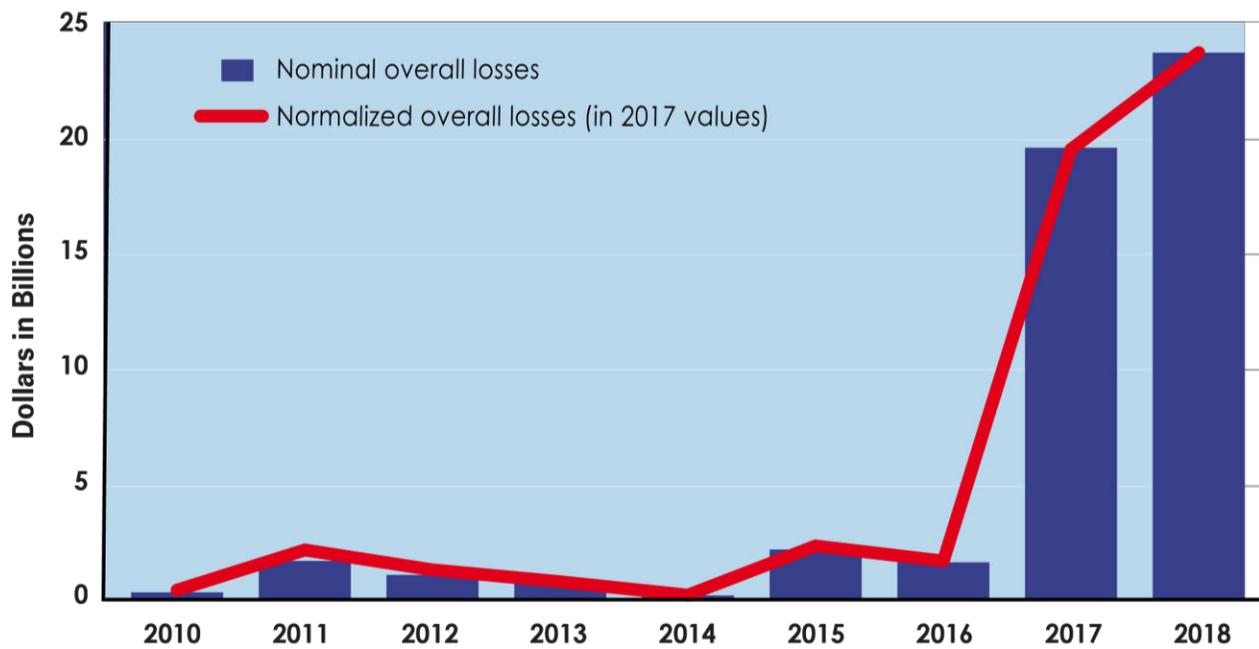
- **Addressing Variability in Generation and Consumption:** Addressing variability in electric generation and consumption will require efforts on a number of fronts. The afternoon ramp—the period when solar and wind energy decline and demand goes up—is increasing. Traditionally, flexible resources, such as natural gas-fired generators, have been used to provide a reserve margin, to ensure that generation and consumption stay in balance, and to provide other ancillary services needed for reliability. In the near term, a limited number of natural gas resources are still needed. In the longer term, more innovative solutions will be required. Further progress in time-of-use rates, demand response programs, storage, energy efficiency, increased regional coordination, and electric vehicle charging can help to ensure that demand at any given moment is at a level that can be accommodated by the amount of available electric generation. Proper infrastructure and incentives can be developed to facilitate and encourage integration of electric vehicles into the electric system in a manner that can enhance reliability and reduce costs. The strike force recommends that the CPUC use its Integrated Resource Planning process and other related proceedings to address these issues.

Part 3: Fair Allocation of Catastrophic Wildfire Damages

Climate change, forest management practices, and real estate development patterns in the WUI have dramatically increased the risk and magnitude of wildfire damage. All stakeholders, public and private, must invest in mitigation, suppression and emergency response to reduce the incidence of catastrophic fire and to protect lives and property. At the same time, communities need electricity—including communities in remote, high fire-risk areas. As long as electrical lines run through tinder-dry forests, California can mitigate but not eliminate utility-sparked fires. California also must support wildfire victims and communities as they work to rebuild. These often competing imperatives require a new policy framework to responsibly and fairly allocate the cost of wildfire damage in an era of climate change. No single stakeholder created this crisis, and no single stakeholder should bear its full cost.

Developing workable solutions to equitably share the burden of compensating victims for wildfire damages is made more challenging by uncertainty regarding the future effects of climate change and the efficacy of mitigation efforts. The staggering wildfire damages of 2017 and 2018 highlight the potential severity of wildfires in the future.

Figure-09
Wildfire Damages³⁵



We do not know whether this magnitude of damage is a new normal, or if recent years were aberrational. Experts consulted by the strike force believe climate change, development patterns, deferred utility equipment maintenance, and other factors suggest much heightened risk going forward but predicting how much risk and how

³⁵ Climate Changes Increases Wildfire Risk

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consistently is more difficult. There is also uncertainty about the level of success we can expect in reducing the frequency and severity of wildfires.

Another challenge to a durable solution is that liability for wildfires ignited by utility equipment is governed by California's inverse condemnation law, which holds a utility strictly liable for wildfire damages if the utility's equipment ignites a wildfire, even if the utility's design and maintenance of infrastructure were not unreasonable or negligent. While a utility faces strict liability for all damages caused by its equipment, it can recover those costs through rates only by proving to the CPUC that its conduct was prudent. This regime—strict liability for wildfire damage coupled with uncertain ability to recover those damages in rates—increases the risk of bankrupt utilities, which in turn drives up costs for consumers, threatens fair recoveries for fire victims, undermines the state's ability to mitigate and adapt to climate change, and creates uncertainty for utility employees and contractors.

Under the status quo, all parties lose – wildfire victims, energy consumers, and Californians committed to addressing climate change. Victims face a great deal of uncertainty and diminished ability to be compensated for their losses and harm. Customers face rising rates and instability. California's ability to achieve its climate goals is frustrated. Utility vendors and employees face uncertainty and likely significant losses. Bottom line --- utilities in or on the verge of bankruptcy are not good for Californians, for economic growth or for the state's future.

Strike Force Deliberations

The strike force has identified and intensively researched several approaches to address wildfire liabilities. Each of the approaches evaluated by the strike force has benefits and tradeoffs.

Much work remains to be done to evaluate these concepts and determine which alternative or combination of alternatives will best support safe, reliable, and affordable energy for Californians, further clean energy goals, and enable fair treatment for wildfire victims. The strike force recommends that the Commission on Catastrophic Wildfire Cost and Recovery (SB 901 Commission) jointly appointed by the Governor and the Legislature, evaluate these concepts and report back to the Governor and the Legislature on its findings.

Principles Underlying a New Approach to Stabilizing and Sharing Costs

California's approach to wildfire mitigation must be grounded in principles that further the imperative to provide safe, reliable, and affordable power on a sustainable basis. To that end, the strike force has identified the following principles against which any proposal must be measured:

1. *Maintaining Safe, Reliable, and Affordable Power.* California residents and businesses require a safe and reliable electrical system, the achievement of which requires ongoing investment in new equipment, systems, and workforce. At the same time, steep rate increases would have adverse consequences for consumers, businesses, and California's climate goals. Thus, rate increases must be mitigated.

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2. *Hold Utilities Accountable to Prioritize Safety.* Any changes in the liability rules should provide incentives for utilities and their management to prioritize and invest in safety and impose penalties for failure to do so. Any changes also must continue to hold a utility's shareholders—not its customers—responsible for failures to operate safely.
3. *Treat Wildfire Victims Fairly.* California wildfire victims deserve fair disposition of their claims so that they can move forward with their lives.
4. *Require Equitable Stakeholder Contributions.* The burdens of wildfire damages brought on by climate change are too great to be borne by any one stakeholder. A fair distribution of the burden requires utilities (ratepayers and investors), insurance companies, local governments, and attorneys representing victims to contribute.
5. *Reduce Overall Costs.* We must reduce wildfire damages as well as the financial claims that arise from them. This means prioritizing and paying for safety. It also means structuring the process by which claims are made and paid to assure the highest proportion of resources to pay for the actual losses victims suffer. And it means not creating a "free rider" problem or creating incentives for people not to act responsibly (e.g. by not properly insuring property against the risk of fire damages).
6. *Promote California's Clean Energy Goals.* Any solution must be consistent with California's long-term climate and clean energy goals and minimize the risk that wildfire liabilities will prevent utilities from having the resources to advance those goals, both in the near-term and over time.
7. *Recognize the Contribution of Taxpayers.* As described elsewhere, taxpayers have substantially increased their contribution to mitigating fire risk and fighting fires when they ignite. Any consideration of a fair burden of costs must recognize the substantial contribution the state and its taxpayers have already made and are continuing to make.

Current Framework for Allocating Costs of Utility-Caused Wildfires

In California, when a utility's equipment causes a wildfire, the utility may be held liable to pay for damages through (1) inverse condemnation lawsuits for property damages³⁶ brought by property owners or insurance companies (which seek compensation for payments they make to insured property owners); (2) tort lawsuits by a harmed party; and/or (3) recovery of fire suppression costs from third parties.³⁷ California's application

³⁶ Inverse condemnation is limited to property damage caused by utility equipment, so not all utility wildfire liabilities are actionable under inverse condemnation. For example, wildfire liabilities caused by a utility company employee, rather than utility equipment, are not recoverable under inverse condemnation. In practice, litigation pursuing subrogation recovery will include multiple liability theories, including inverse condemnation, some of which apply a strict liability standard and some of which apply other standards, such as negligence.

³⁷ When a utility is found to be a cause of a wildfire, the utility can be required to pay for three primary types of losses: (i) property damage and damages for personal injury, death, and related impacts, (ii) suppression expenditures incurred by government entities, including Cal FIRE and the United States Forest Service, and (iii) other economic and natural resource damages. The first two categories are direct costs (e.g. damage to structures, fire-fighting expenditures, injury and mortality) and are well defined, whereas the third category represents indirect damages (e.g. business interruption, temporary housing costs).

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of inverse condemnation to utilities places 100 percent of the cost of wildfire property damage on a utility if its equipment caused the fire—regardless of fault and without consideration of the contributing role of climate change, forest management, land-use policies and other factors.

California is unique in extending the concept of inverse condemnation to IOUs.³⁸ Nonetheless, California courts have reasoned that “the nature of the California regulatory scheme demonstrates that the state generally expects a public utility to conduct its affairs more like a governmental entity than a private corporation.”³⁹ The primary purpose of inverse condemnation is to spread costs to relieve individuals from bearing a disproportionate share of the economic burden of a governmental action.

Inverse condemnation claims have two unique features that create challenges for California's IOUs:

1. *Fault is Irrelevant.* In an inverse condemnation claim, the plaintiff need not allege or prove that the utility behaved unreasonably or negligently. An entity may be held strictly liable for damages so long as the plaintiff proves that the utility was a substantial cause of such damage—even if it was only one of several concurrent causes.
2. *Attorney's Fees and Expenses are Part of the Claim.* The California Code of Civil Procedure provides that in any inverse condemnation proceeding the plaintiff is entitled to recover the reasonable costs, disbursements, and expenses, including reasonable attorney's fees and expert costs.⁴⁰ These costs can be substantial.

The combination of strict liability and statutory attorney's fees exposes California utilities to significant potential liabilities.

Insurance companies play an important role in the practical application of inverse condemnation to utilities in California. Insurance companies write insurance and collect premiums to cover property owners for fire losses. In the event of a fire, the insurance company pays an insured property owner's claim and absorbs the loss. If the fire was ignited by a utility's equipment, the insurance company seeks reimbursement from the utility for the damage claim it paid to homeowners, typically through an inverse

³⁸ Only Florida and Alabama have applied the doctrine of inverse condemnation to utility companies and only Alabama has extended the doctrine to privately-owned utilities. Similar to California, under Alabama law, a non-governmental entity can be subject to a claim for inverse condemnation. As such, in *Schultz v. SE. Supply Header, LLC*, No. CA 09-0055-KD-C, 2009 WL 3075671 (S.D. Ala. Aug. 20, 2009), the property owners' claim for inverse condemnation against the private utility company did not fail by virtue of the utility company's non-governmental status. In that case, the property owners gave the utility company a permanent easement to their property for the installation of a natural gas pipeline to run underground, but in the process of construction, the utility company flooded the property and caused the property owners' septic system to malfunction, reducing the property to a swamp. Since the utility company was expressly authorized to exercise the power of eminent domain for installation of the natural gas pipelines, the property owners could avail themselves of the remedy of inverse condemnation for damage of the property by the company.

³⁹ *Barham v. Southern California Edison Company*, 74 Cal. App. 4th 744, 753 (1999).

⁴⁰ CA Civ. Pro. Code § 1036 (2017).

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condemnation claim.⁴¹ These claims from the insurance company are known as subrogation claims.⁴²

Cost Recovery and Wildfire Damages

While a public utility found liable under inverse condemnation spreads the costs by using its rate-setting power to pass the costs to customers, investor-owned utilities can recover inverse condemnation damages in rates only if the CPUC separately determines that they may do so. California law requires that any rates charged by a utility must be “just and reasonable”.⁴³ A utility may pass through and recover non-routine costs as a result of third-party litigation or inverse condemnation only if the IOU demonstrates to the CPUC that it acted reasonably and prudently (i.e., met a “prudent manager” standard).⁴⁴

To meet this prudent manager standard in the context of extraordinary wildfire expenses, the CPUC requires that a utility affirmatively prove that it: (1) behaved reasonably and prudently in managing its facilities before and during the fire and (2) behaved reasonably and prudently in settling any litigation claims, if applicable. The CPUC has wide latitude as to the applicable evidentiary standard—typically applying a preponderance of the evidence standard—which generally requires evidence that “when weighed with that opposed to it, has more convincing force and greater probability of truth.”⁴⁵

Recent Application of Utility Wildfire Cost Recovery Standards

In October 2007, three large wildfires occurred in the service area of SDG&E. The ignition of those fires was attributed to the company's equipment. After 7 years of litigation, SDG&E settled legal claims for \$2.4 billion in costs and legal fees to resolve third-party damages arising from the fires. After collecting from other responsible parties and under liability insurance policies, SDG&E sought recovery from ratepayers for the remaining

⁴¹ Inverse condemnation is limited to property damage caused by utility equipment, so not all utility wildfire liabilities are actionable under inverse condemnation. For example, wildfire liabilities caused by a utility company employee, rather than utility equipment, are not recoverable under inverse condemnation. In practice, litigation pursuing subrogation recovery will include multiple liability theories, including inverse condemnation, some of which apply a strict liability standard and some of which apply other standards, such as negligence.

⁴² Generally, insurance company subrogation recoveries are not 100 percent reimbursement for claims paid to property owners. Limited public information suggests that subrogation settlements equal about 50 percent of the claim. Specifically, SCE's general auditor stated that wildfire subrogation claims have in the past settled at “historical levels” of “around 50 percent” at a meeting of the Commission on Catastrophic Wildfire Cost and Recovery on April 3, 2019.

⁴³ CAL. P.U.C § 451.

⁴⁴ The prudent manager standard means that “at a particular time any of the practices, methods, and acts engaged in by a utility follow the exercise of reasonable judgment in light of facts known or which should have been known at the time the decision was made.” The prudent manager standard is a standard of care that demonstrates all actions were well planned and properly supervised and all necessary records are retained. See *In re: San Diego Gas & Electric Co.*, Order Denying Application for Decision 17-11-033 at p.5 (Cal. Pu. Util. Comm'n) (Nov. 30, 2017).

⁴⁵ Decision Implementing a Safety Enhancement Plan and Approval Process, Decision 14-06-007 [D.14-06-007]

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\$379 million in damages it had paid. In October 2017, the CPUC denied SDG&E's request, ruling that the utility had not met required standards of prudence.⁴⁶

The CPUC decision in the San Diego case was the first time a utility had incurred costs that exceeded its insurance coverage. The decision raised concerns in the capital markets that investors in California utilities were more exposed to wildfire liabilities than previously thought.

In late 2017, shortly after the CPUC's decision in the San Diego fires, California suffered one of its worst wildfire seasons on record. Combined, these events created uncertainty in the capital markets regarding the safety of investing in California utilities.

Senate Bill 901 (Dodd, Chapter 626, Statutes of 2018) (SB 901)

After the utility market destabilization, California enacted SB 901, which requires the CPUC to consider "conduct of the electric grid and relevant information submitted into the commission record" when determining whether a utility is permitted to recover costs related to wildfires. The statute outlines 12 categories of information for consideration, which are set forth on [Annex B](#). SB 901 also incorporated a "stress test" that provided the CPUC additional flexibility to allow utilities to recover their costs in respect of wildfire liabilities from ratepayers where the denial of cost recovery could negatively impact the IOUs' financial condition.

In a cost recovery action, the CPUC must first find that utility equipment ignited the wildfire. Then the CPUC must determine whether the utility acted prudently both in the behavior causing the wildfire and in the settlement of any claims. If it acted prudently, the utility may recover the costs by charging higher rates to customers. If it did not act prudently, the utility would be required to bear those costs itself, in effect by reducing the returns paid to its equity investors. SB 901 attempted to provide the CPUC guidance on application of the cost recovery rules that would create more certainty around cost recovery.

After passage of SB 901, the credit rating agencies (Moody's, Standard & Poor's and Fitch) immediately began to downgrade California's three large IOUs, opining that the measure failed to adequately address the risks to the utilities' financial health posed by inverse condemnation. Two months later, the Camp Fire occurred. Two months after that, PG&E stated its intention to seek chapter 11 bankruptcy protection.

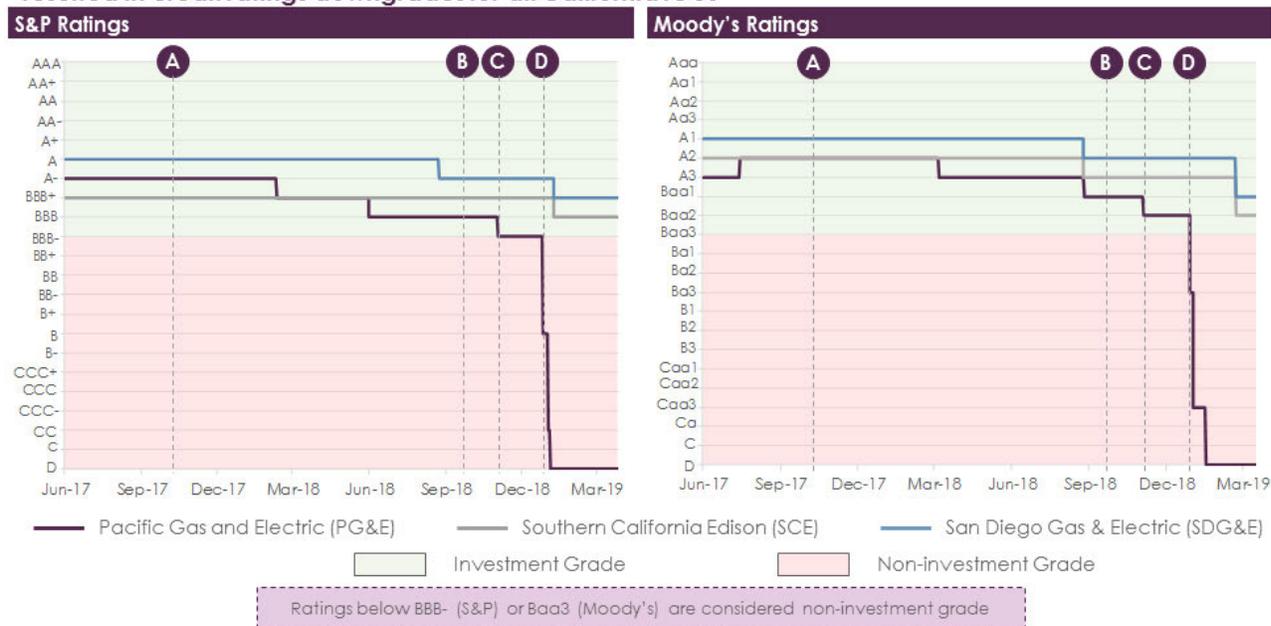
The rating agencies followed with an additional series of downgrades that now leave SCE and SDG&E with close to non-investment grade ratings.

⁴⁶ See Order Denying Application [D. 17-11-033] (Cal. Pu. Util. Comm'n) (Nov. 30, 2017); Order Denying Rehearing of Decision (D.) 17-11-033 [D. 18-07-025] (Cal. Pub. Util. Comm'n) (July 12, 2018); Order Denying Writ for Review, No. D074417, Cal. Ct. of Appeal, 4th District, Div. 1 (Nov. 13, 2018)

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Figure-10

Increasing wildfire risk coupled with uncertainty surrounding cost recovery for wildfire liabilities has resulted in credit ratings downgrades for all California IOUs



A **October, 2017** – Tubbs Fire, the second most destructive wildfire in California history, burns 36,810 acres

B **September 24, 2018** – Former Governor Jerry Brown signs SB 901 as an attempt to address outstanding wildfire liabilities

Source: Moody's and S&P.

C **November, 2018** – Camp Fire, the most destructive wildfire in California history, burns 153,336 acres

D **January 14, 2019** – PG&E announces its intent to file for bankruptcy, providing the required 15 day advance notice to their employees

Ratings downgrades increase utilities' cost of capital (including capital raised for investment in fire mitigation and safety) and those additional costs are generally passed on to consumers.

The capital markets concluded that too much uncertainty regarding cost recovery remained following passage of SB 901. Their key concerns were that it left the CPUC with extensive discretion to determine whether catastrophic wildfire damages could be passed through to the ratepayers.⁴⁷ In addition, investors raised concerns that SB 901 did not address the significant time period between the occurrence of a catastrophic wildfire, the payment of damages arising from that wildfire, and the CPUC's final

⁴⁷ California's cost recovery process contrasts with the framework employed for federally-regulated transmission rates by the Federal Energy Regulatory Commission (FERC). Pursuant to section 205 of the Federal Power Act (FPA), public utility rates for transmission services in interstate commerce must be "just and reasonable," which includes a requirement that the utility is prudent in incurring costs. This statutory standard is similar to the standard in the California Public Utilities Code, however, FERC applies the standard differently than the CPUC applies its similar statutory standard. In practice, FERC generally presumes that a utility's expenditures have been prudent unless a third party raises a formal complaint that casts a serious doubt on the utility's prudence, in which case the utility has the burden to prove that its conduct and expenditures were prudent. FERC will consider a utility's conduct prudent if the utility acted as any other reasonable utility in its position would have acted, given the same circumstances and the same facts known to the company at the time. FERC precedent in evaluating the prudence standard affords considerable latitude as FERC, in reviewing a decision, does not look for a single correct result or require the evaluation of every possible alternative. Thus, the FERC standard is far more predictable.

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determination of whether those payments can be recovered in rates. Under current timelines, a utility does not file an application for cost recovery until after it resolves all litigated claims, which in the case of San Diego took more than seven years from the time of the fires. The CPUC's cost recovery process can take 18 months to two years. This time lag creates financial stress on a utility which may need to raise additional capital to pay billions of dollars of wildfire claims without knowing whether it will be able to recover the costs of that capital in future rate increases. This can lead to lower credit ratings, higher borrowing costs and, therefore, higher rates paid by utility customers. Ultimately, as we have seen with PG&E, it can lead a utility to seek protection under the federal bankruptcy laws.

Consideration of Insurance Impacts

Before discussing potential concepts, it is important to consider the current impact of climate change and catastrophic wildfire damage on the availability and affordability of insurance and the risk that any proposed changes to liability for wildfire damage could exacerbate those impacts.

Insurance pricing and availability is responsive to a very basic principle: as risk increases, the cost of insurance increases and the availability of insurance coverage decreases. With record high losses from catastrophic wildfires, insurers are responding by filing for rate increases and retrenching their coverage eligibility standards. According to the California Department of Insurance (CDI), many regions of the state face insurance availability and affordability constraints. This is evidenced by increasing non-renewals and significant insurance premium increases in the areas of the state affected by wildfires. Investments that increase resiliency to climate-related catastrophes will add stability to insurance options. Without affordable insurance, regions throughout the state will find homes decreasing in value.

Current Trends in Insurance Availability and Affordability

Insurance rates are principally based on recent loss experience. According to CDI, in California, the loss experience resulting from catastrophes is not loaded directly into the rates but instead placed in a catastrophe load that is an average of at least 20 years of catastrophe experience. Despite that fact, rates are beginning to increase.

According to the CDI:

- Carriers have submitted applications to CDI for over 100 rate increases for homeowners insurance in the last two years, more than double the filings in the previous two years;
- Homeowners in areas with heightened wildfire risk are receiving double-digit rate increases;

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- There has been a significant uptick in policy counts at the California Fair Access to Insurance Requirements Plan (FAIR Plan)⁴⁸ for homes located in areas of high wildfire risk, by 50 percent in the last five years (from 22,000 policies for homes with wildfire risk exposures to 33,000 such policies), although the FAIR Plan only insures about 130,000 homes in total out of approximately 13 million residences in the state;
- The number of homeowners who have purchased insurance from surplus lines insurers has also increased, though the total remains fewer than 60,000 statewide. Surplus lines coverage is available only to consumers who cannot find coverage with an admitted insurer. The rates are not regulated nor is the coverage backed by the California Insurance Guarantee Association; and
- Consumer complaints about non-renewals in high risk counties have also doubled in the last two years.

According to CDI, the overall number of adverse actions that are reflected in available data are relatively low compared to the California homeowners' insurance market as a whole. After two consecutive years of massive homeowners insurance loss ratios of insurers—201 percent in 2017 and 170 percent in 2018—there is a sense of urgency about the decreasing availability and affordability in 2019, especially for regions with high wildfire risk.

The strike force recommends that the Governor and Legislature, in consultation with the Insurance Commissioner, consider the following:

- Should all insurers be obligated to offer insurance to homeowners living in the WUI if the insured conducts specific wildfire mitigation?
- Should all insurers be obligated to offer reduced rates for those homeowners and communities that implement prescribed wildfire mitigation measures?
- Should insurers be obligated to offer consumers who are ineligible for a homeowners' policy either a "difference in conditions" policy or a "premises liability policy" as complementary coverage for a FAIR Plan fire policy?
- The California Insurance Guarantee Association policy limits have not been increased for at least two decades. Is it time to increase the current limit of \$500,000 to recognize current construction costs?

Concepts for a Solution

The strike force heard from experts and stakeholders about alternative approaches. Based on this input, research and evaluation of the strengths and weaknesses of alternative approaches, we identified three concepts for consideration:

- **Concept 1:** Liquidity-Only Fund. This concept would create a fund to provide liquidity for utilities to pay wildfire damage claims pending CPUC determination of

⁴⁸ The FAIR Plan was created in July 1968 as an insurance pool established to assure the availability of basic property insurance to people who own insurable property in the State of California and who, beyond their control, have been unable to obtain insurance in the voluntary insurance market. See <https://www.cfpnet.com>.

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whether or not those claims are appropriate for cost recovery and may be coupled with modification of cost recovery standards.

- **Concept 2:** Changing Strict Liability to a Fault-Based Standard. This concept would involve modification of California's strict liability standard under inverse condemnation to one based on fault to balance the need for public improvements with private harm to individuals.
- **Concept 3:** Wildfire Fund. This concept would create a wildfire fund coupled with a revised cost recovery standard to spread the cost of catastrophic wildfires more broadly among stakeholders.

Given the inherent uncertainty we face and the number of foundational policy questions that must be addressed, the strike force recommends that the Commission on Catastrophic Wildfire Cost and Recovery, the Legislature, and the Governor's strike force continue working over the next two months to develop a solution for consideration by the Governor and the Legislature that most effectively addresses wildfire liability consistent with the principles that the strike force has outlined.

Each of the three concepts requires statutory changes to clarify the prudent manager standard and the requisite burden of proof related to when an IOU is permitted to recover costs and expenses of wildfires from its customers. To achieve a result that meets the principles outlined in this Report, utilities will have to make significant contributions to the benefit of ratepayers.

Concepts 1 and 3 rely on voluntary contributions from utility investors to different extents. The larger the contribution required, the more clarity utility investors will demand in the regulatory standard for cost recovery from ratepayers.

Concept 1: Liquidity-Only Fund

The liquidity-only fund involves a modest modification to the current SB 901 framework to address the delay between when a utility pays wildfire claims and when the CPUC makes its rate recovery determination. This concept would create a fund to provide bridge financing for utilities to pay wildfire liability claims pending the CPUC's decision on cost recovery under a modified standard. The liquidity-only fund does not reduce the burden on utility customers or re-distribute the costs of wildfires among stakeholders. As such, it does not address certain principles set forth above. In combination with changes to the CPUC cost recovery process, a liquidity-only fund could stabilize the credit ratings of utilities.

The liquidity-only fund could be capitalized by utility investors and ratepayers, potentially through a continuation and securitization of the Department of Water Resources (DWR) charge implemented during the power crisis in 2001 and expected to be fully repaid before the end of 2020. All or a portion of that securitization charge could be extended and dedicated to the liquidity-only fund.

The fund would then be available to provide funds for utilities to pay claims after a determination of cause and before a determination of cost recovery. When the CPUC makes a cost recovery determination, the fund then works as follows:

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- If the CPUC determines that the utility met the cost recovery standard and therefore can recover the costs in rates, then the utility would charge the ratepayers and reimburse the fund for the amounts drawn.
- If the CPUC determines that the utility did not meet the cost recovery standard and therefore cannot recover costs in rates, then the utility would be required to repay the amounts drawn from the fund such that ratepayers would not bear the cost of such amounts.

This concept does not shield utility customers from uncapped liability for wildfire damages. In fact, if cost recovery changes increase the certainty that utilities can recover damages from their customers, ratepayers will pay more.

Further Research.

Several questions and policy considerations must be addressed to evaluate the liquidity-only fund and the impact it would have on reducing and socializing costs, and its ultimate impact on consumers:

- Can the fund provide sufficient liquidity to pay claims in a timely manner while allowing the CPUC to evaluate wildfires?
- Can this concept, in combination with necessary changes in the CPUC rate recovery process, provide enough certainty to the capital markets to stabilize ratings and the perception of a utility's credit quality?
- How durable can the liquidity fund be while the utilities address their safety deficiencies?
- How much can we expect from this simplified solution if we don't address the factors that turn massive wildfires into massive damage claims?
- What does this option mean for rates and affordability?
- What shareholder contribution, if any, would be required to capitalize the fund?

Concept 2: Changing Strict Liability to a Fault-Based Standard

A second concept is to change California's strict liability standard to one based on fault. Applying a fault-based standard—utilities pay for damage if caused by their misconduct—would balance the need for public improvements (i.e. an electrical distribution system) with the private harm to individuals occasioned by those improvements. This change would impact only claims for property damage, since California already applies a negligence standard to personal injury, wrongful death, and other tort claims.

Moving to a fault-based standard would shift the risk of property loss to insurance companies and uninsured or underinsured property owners in cases where the utility was not a bad actor. Where the utility acted negligently, recklessly, or with intentional misconduct, it would still be responsible for paying damages, including possible punitive damages.

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As with Concepts 1 and 3, a solution that changed to a fault-based liability standard would be accompanied with modifications to clarify the prudent manager standard and the requisite burden of proof related to when an IOU is permitted to recover costs and expenses of wildfires from its consumers.

Shifting more of the direct financial burden of wildfires to insurance companies may also affect the cost and availability of property insurance in the WUI. Whether a reform of inverse condemnation would affect the cost and availability of insurance is unclear. If such an impact occurred, a variety of policy responses might be considered, including creating a catastrophic pooled insurance fund or reforms to the FAIR Plan, which provides last-resort fire insurance when homeowners or dwelling coverage is unavailable in the voluntary market of admitted insurers.⁴⁹ Admitted insurers are obligated to share in any losses suffered by the FAIR Plan.

Further Research.

Several questions and policy considerations must be addressed to evaluate the impact moving to a fault-based system would have on reducing and spreading costs, and its ultimate impact on consumers:

- How much would moving to a fault-based system reduce the settlements that utilities pay for wildfire claims?
- Would availability and affordability of property insurance in the state, particularly in the WUI be affected? If so, are there policy options to mitigate that impact?
- Would this approach yield certainty in the needed timeline given the potential legal risks and challenges?

Concept 3: Wildfire Fund

A third concept is to establish a well-capitalized wildfire fund that would create a buffer to absorb a significant portion of the wildfire liability costs that might otherwise be passed on to ratepayers under existing law and regulation while providing time for mitigation efforts to be advanced. The wildfire fund would also provide the utilities a source of immediate funding for the claims asserted against them for catastrophic wildfire damages and ensures prompt payment of those claims.

This concept could accomplish each of these objectives if utility shareholders were prepared to make a substantial contribution to the fund's claims-paying resources and if insurers were willing to accept a cap on their subrogation claims (their claims for reimbursement from the utilities of the payments to their insurance policyholders). If the wildfire fund is not sufficiently capitalized and/or the other stakeholders are not willing to

⁴⁹ The Commission on Catastrophic Wildfire Cost and Recovery is tasked with, among other matters, evaluating the impact of wildfire damage on insurance availability and affordability. The Commission is expected to deliver its report by July 1.

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compromise their claims, then the wildfire fund will be exhausted more quickly and ratepayers will be responsible for costs thereafter.

The CPUC would retain jurisdiction to impose penalties on utilities that fail to prudently manage their wildfire risks, and those penalties would be paid to the fund to enhance its claims paying resources. Like the liquidity-only fund, an extended DWR charge could be dedicated to support the claims paying resources of the wildfire fund.

The following are reasonable elements of a wildfire fund that, depending on additional research, analysis, and development, may warrant consideration in the future.

3. **Pooled Capital:** The wildfire fund would include pooled capital from all IOUs including each of SDG&E, SCE and PG&E and be accessible by each of those utilities to pay catastrophic wildfire claims. Municipally owned utilities may participate at their option.
4. **Only Catastrophic Fires:** The fund would be limited to paying claims of utility-caused catastrophic wildfire liabilities only (as such fires would be defined in legislation establishing the fund). Smaller utility-caused fires and the first-dollar costs of catastrophic wildfires would be paid by a utility's commercial liability insurance policy and/or self-insurance reserve.
5. **Claims Administration Trust.** A wildfire fund could use a trust for the administration of claims. The trust could pay all subrogation claims to insurance companies and reimburse utilities for the costs of judgments on or settlements of uninsured and underinsured victims' claims. All insurance companies writing insurance in the state could be required to agree that subrogation claims arising out of catastrophic wildfire claims will be asserted against the trust. A potentially valuable feature of the wildfire fund could be that subrogation claims will receive settlements at a stated percentage of the validated amount of their claim. Utilities could be responsible for litigating or settling claims brought by uninsured and underinsured victims. They could then seek reimbursement from the trust for the settlement amounts or final judgments. The reimbursement process could provide incentives for the utilities to settle promptly with victims, while also ensuring that they settle for fair, but not excessive, amounts.
6. **Automatic Access to the Fund.** A utility could seek to pay wildfire claims from the fund upon determination that the fire was a catastrophic utility-caused wildfire without pre-determination by the CPUC whether or not the utility acted prudently, reasonably, or without negligence.
7. **Penalties to Discourage Behavior by Fund Participants that Violates Regulatory Requirements or is Imprudent:** Regulatory reforms could incorporate penalties that would create disincentives for negligent or unreasonable behavior by fund participants. Penalties could be paid into the fund to further extend claims paying capacity.

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Further Research.

- How large would the fund need to be to be durable over the anticipated period of time necessary for utilities to make material progress in containing catastrophic wildfire risk?
- How can we design a fund that provides the proper incentives for utilities to invest in prevention to reduce wildfire damages and claims and for property owners to protect themselves by purchasing adequate insurance?
- After emerging from bankruptcy and providing for adequate compensation to its pre-petition wildfire victims, how will PG&E raise the necessary capital to make its contribution to the fund?
- How much time will it take to form and capitalize a wildfire fund? How should liability for wildfires that may occur in 2019 prior to the fund's formation be treated? Can the fund be established before PG&E emerges from bankruptcy?
- Capping subrogation claims moves the upper range of risk from the utility to the insurers, who will pass it on to customers. What would be the long-term impact on the availability of insurance?
- Would the subrogation cap apply to both property claims and casualty claims, which are different rights under the law?
- Should insurers or insureds contribute to fund capitalization?

Part 4: A More Effective CPUC with the Tools to Manage a Changing Utility Market

California's changing energy market and the need to mitigate and adapt to climate change require a state utility regulator that is effective in today's reality.

The CPUC has a long history as a regulator of rates. It manages complex, participatory, and time-consuming proceedings to set energy rates for the state's utilities. Its structure and deliberative processes flow from the California Constitution, which authorizes the CPUC to fix rates and charges and allows utilities to raise rates or charges if justified.⁵⁰ The CPUC has an imperative to balance the financial health of utilities and the need to keep rates as low as possible.

The current structure of the CPUC does not align with California's need for a regulator that can effectively address wildfire safety and can be nimble in today's changing energy market. The CPUC has assumed a greater role in safety regulation, as well as in protecting consumers. However, its structure has not fundamentally changed. Further, its other obligations, including regulation of some transportation industries, telecommunications, and other industries has grown as the demands on the Commission as the state's regulator of utilities have increased and become more complicated.

The Commission needs to strengthen its efforts as an evaluator of risk reduction and as a key line of defense to prevent wildfires caused by utility infrastructure. It must also be more nimble and provide necessary certainty more quickly than it does today in light of the changing energy market and heightened fire risk. Implementing a comprehensive strategy to improve safety, keep costs down and reach California's clean energy goals requires a regulator that applies and enforces regulation in a predictable, timely, and fair way.

The Current CPUC Process

The CPUC has three primary roles: quasi-legislative, rate-setting, and adjudicatory disputes. Under current law and practice, the CPUC uses different processes depending on the role it is performing. All types of proceedings are record based and governed by either an Assigned Commissioner or an Administrative Law Judge (ALJ). All involve extensive consultation and public input.

The CPUC typically addresses policy issues and capital expenditures in separate proceedings. For example, the issue of wildfire mitigation is being handled in two separate proceedings in front of the CPUC--one specific to the WMPs and the second as part of the general rate case (GRC). As wildfires become more frequent and larger, and as the state's energy market changes, the CPUC needs a decision-making process that is responsive to these developments.

⁵⁰ Article XII Public Utilities, CAL. CONS. [SECTION 1 - SEC. 9].

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IOUs file GRCs with the CPUC every three years for prospective costs. Between GRC proceedings, the IOUs often file for approval for recovery of unexpected costs incurred. Except for certain minor matters, a highly structured legal process applies to decisions on these filings. The process insures that the filing party and opposing parties have an ability to be heard, including by submitting pleadings and testimony. The testimony and filings are important because the Commission must base its decisions on evidence in the record. The process provides other parties the ability to present views that are contrary to those of the IOUs. While it has value, the existing process can be time-consuming.⁵¹

If the Assigned Commissioner is not the presiding officer, the statutory structure of the CPUC's decision-making process often leaves ALJs with more control over the timing of the process than the Commissioners. That can lead to delays in proceedings even when the Commissioners wish to prioritize the decision-making.

In its rate-setting mode, the CPUC faces a difficult balancing act. On the one hand, the CPUC wants the IOUs to make appropriate investments and expenditures so they can provide safe and reliable service to their customers. On the other hand, an IOU's only source of income is its customers. Consumers have an interest in avoiding unnecessary costs and investments and keeping borrowing costs down. IOUs operate their business by collecting a return on investment, but the investments and the return are closely regulated by the CPUC. When the IOUs are financially healthy, utility customers benefit from lower cost of capital. When utilities are financially unhealthy, the inverse occurs as evidenced today in the case of PG&E.

In rate-setting and cost recovery cases, the burden falls on the utility to prove that its requests or its past actions were reasonable or prudent. In some instances, the utility may face difficulty proving that past actions meet this burden, which can create financial uncertainty for the utility. To avoid this, utilities may elect not to make expenditures unless the cost recovery was pre-approved by the CPUC.

The CPUC sometimes is tasked with new responsibilities that fall outside its traditional function of ensuring that rates are just and reasonable. After the San Bruno and Aliso Canyon events, safety has become a much more significant issue for the CPUC. The recent expansion of the Commission's role into reviewing WMPs under SB 901, as described above, is a further example of the CPUC's expanded role.

The CPUC's statutory and Constitutional responsibilities go beyond the rate-making cases. In developing and overseeing clean energy programs and in its role in

⁵¹ As an example, SCE filed its most recent GRC on September 1, 2016, and it is still pending today, more than 2 years later. See *In re: San Diego Gas & Electric Co.*, Test Year 2018 General Rate Case Application of So. Cal. Edison Co A 16-09-001 (Cal. Pu. Util. Comm'n) (Sept. 1, 2016); When SDG&E filed to recover its third-party damage claims in connection with its 2007 wildfires, it took 2 years for the CPUC to issue its decision denying recovery, and it took 6 months for the CPUC to issue its rehearing order after SDG&E filed its rehearing request. See Application of San Diego Gas & Elec. Co. (U 902 E) for Authorization to Recover Costs Related to the 2007 Southern California Wildfires Recorded in the Wildfire Expense Memorandum Account, *In re: San Diego Gas & Electric Co.*, Decision Denying Application, A 17-11-033 (Cal. Pu. Util. Comm'n) (Dec. 6, 2017); *In re: San Diego Gas & Electric Co.*, Order Denying Rehearing of Decision 17-11-033 (Cal. Pu. Util. Comm'n) (Jul. 13, 2018).

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developing and enforcing safety regulations, the CPUC can also be a policy-setting body and a quasi-judicial body. At times, the ALJ-led process the CPUC utilizes does not lend itself to public accessibility or speedy development of new policies. This may contrast with the public's expectation that the Commissioners be the ultimate decision makers who should be held accountable for the timing of developing new rules and programs.

While there is merit in existing CPUC processes, the lack of flexibility and inefficiency frustrates the ability of the CPUC to effectively regulate utilities in a way that best meets the needs of Californians from a safety and financial standpoint. To more effectively meet the state's needs in today's environment, the CPUC must be reformed. The recommendations set forth below represent near-term steps that can be taken to improve CPUC efficiency and effectiveness. Longer-term, the state should evaluate a more comprehensive overhaul of the CPUC in an effort to better serve the changing needs of California.

Recommendations

- **Expand Safety Expertise:** Provide resources to the CPUC for meaningful review of WMPs or alternatively create a wildfire safety division in another agency. The CPUC must—on a priority basis—develop appropriate processes and expertise to handle matters involving safety. This should cover the CPUC's responsibilities for setting safety standards, conducting inspections and audits, and enforcing the standards. A good starting point would be to look at safety-related programs used by regulators in other industry sectors that involve high risks to property and human health and safety, such as the nuclear, aviation, and refinery industries. While the 2016 reforms made a small step toward an increased focus on safety, more is needed. Building the CPUC's capabilities related to safety may require organizational changes, budget increases, and a concerted effort to hire, contract for, or obtain through cooperative efforts with other agencies, the expertise needed to handle these new responsibilities. If experts are not available, then the CPUC should consider entering into grants or contracts with universities or consulting firms that could conduct research and develop standards and training programs to create the necessary expertise.
- **Overhaul Decision-Making Processes.** The CPUC should overhaul and reform its procedures to implement safety related initiatives and requirements more efficiently. Given the potentially large financial implications of such determinations as related to wildfire-related costs, it is particularly important that the CPUC put in place a process that is both timely and fair, while maintaining public input and transparency as appropriate. To achieve this goal, the strike force recommends that the Legislature consider directing the CPUC to do the following:
 - Streamline procedural designations for simpler cases. Many proceedings that could be quasi-legislative are currently subject to full rate-setting procedures.
 - Increase authority to delegate lower-level decisions to technical staff to free up time for administrative law judges and commissioners to focus on traditional rate-setting matters.
 - Eliminate unnecessary steps in proceedings and provide Commissioners with discretion to shorten timelines.

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- Streamline enforcement procedures and increase enforcement authority, including delegating more enforcement authority to the Commission's safety division staff.
- **Review of High-Risk Industry Regulatory Models.** The Governor's Office of Planning and Research, in consultation with experts from academia, industry, and other research institutions, should review models of agencies that regulate high-risk industries, such as nuclear power and refineries, and summarize best practices that could be applied to the CPUC. These practices could include structural or procedural models and necessary expertise.
- **Industry Best Practices.** The CPUC should develop and adopt industry best practices for utilities as a resource. It should regularly monitor and update those practices to reflect learning, changing technology, and the latest assessment of climate change.

Part 5: Holding PG&E Accountable and Building a Utility that Prioritizes Safety

On January 29, PG&E filed voluntary chapter 11 petitions in the United States Bankruptcy Court for the Northern District of California--PG&E's second bankruptcy filing in the last 18 years.⁵² PG&E attributed its chapter 11 filing to claims resulting from the 2018 wildfires, including the Camp Fire which PG&E has since stated was likely ignited by its equipment.⁵³ PG&E justified the filing, in part, by citing the need to provide fair compensation for fire victims. Yet consistent with its historic culture, PG&E failed to honor scheduled settlement payments to victims of the Butte Fire in the days leading up to its bankruptcy. PG&E's willingness to use the bankruptcy process to the advantage of its investors, and at the expense of Californians, cannot be repeated.

PG&E's decision to voluntarily seek the protection of a chapter 11 bankruptcy court punctuates more than two decades of mismanagement, misconduct, and failed efforts to improve its safety culture. Prior to its filing, PG&E already was on criminal probation, having been convicted of five felony counts for safety violations in connection with the San Bruno gas explosion in 2010. That explosion resulted in eight deaths, approximately 58 injuries and 38 homes destroyed.⁵⁴ PG&E was also convicted of obstruction of justice, fined over \$4.6 million, and sentenced to substantial community service as a result of the same incident.

In addition to the incidents described above, PG&E has been investigated in connection with or settled claims related to numerous wildfires and explosions in the last 25 years including:

- The Trauner Fire (1994)
- The Pendola Fire (1999)
- The Sims Fire (2004)
- Fred's Fire (2004)
- The Rancho Codova gas explosion (2008)
- The 2009 San Francisco electrical explosion
- The 2014 Carmel gas explosion
- The Butte Fire (2015)
- Numerous electrical and substation fires (e.g. 1996, 1999, 2003).

⁵² PG&E previously filed for bankruptcy in 2001 in an effort to undermine the jurisdiction of the CPUC. That multi-year bankruptcy resulted in substantial rate increases for PG&E customers.

⁵³ PG&E, *PG&E Publicly Releases Supplemental Report on Electric Incidents Near the Camp Fire*, (Dec. 11, 2018)

https://www.pge.com/en/about/newsroom/newsdetails/index.page?title=20181211_pge_publicly_releases_supplemental_report_on_electric_incidents_near_the_camp_fire (last visited Apr. 10, 2019).

⁵⁴ See CAL. PUB. UTILITIES COMM., *The San Bruno Catastrophe and Its Aftermath*, (May 2012).

https://www.in.gov/iurc/files/Zeller_-_San_Bruno_Catastrophe_Aftermath.pdf (last visited Apr. 10, 2019).

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Despite repeated assurances from management that the company would change, PG&E has failed to implement the fundamental management and cultural reforms to prioritize safety and reliable service.

Californians deserve better, and we will demand better. The state simply will not accept a situation where 40 percent of Californians are served by a company that cannot be trusted to provide safe and affordable power. PG&E must be radically restructured and transformed into a responsible and accountable utility.

PG&E's bankruptcy proceedings will have direct and profound impacts on the people of California. The state must participate in the proceedings to protect its interests, including those of wildfire victims who have claims against the company that must be resolved fairly and equitably, PG&E employees who are vital to maintain energy delivery and protect the safety of communities, and the company's customers who deserve clean, safe, reliable, and affordable energy. We expect and demand that PG&E will, as it is obligated to do, comply with state law, including CPUC safety directives and renewable energy mandates.

Recommendations

PG&E's stakeholders have the primary responsibility for filing a plan of reorganization or otherwise formulating an exit from chapter 11. For a plan of reorganization to be confirmed in the bankruptcy proceedings, it must meet the criteria set forth in the Bankruptcy Code, including that the plan be feasible and that PG&E be in compliance with law. To meet those standards, PG&E will have to demonstrate that it has sufficient funds available to make fund distributions provided under the plan and comply with its WMP and demonstrate that is in compliance with state and federal laws, rules and regulations, including laws and regulations related to clean energy. Given the importance of PG&E to California, the state must work to assure that any resolution of that proceeding achieves the near, medium and long-term goals of the state and its people over opportunistic investors.

The strike force recommends that the state actively monitor and evaluate the PG&E bankruptcy proceeding to assure that the state's interests are being protected. Where appropriate and necessary, the state should participate in the bankruptcy proceedings and be heard on particular issues of interest to California. The strike force specifically recommends the following:

- **Evaluate Any Proposals to Satisfy 2017-2018 Wildfire Claims.** PG&E must satisfy the claims against it from the 2017-2018 wildfires. To that end, the state should evaluate the structure and amount of any trust or other mechanism to satisfy those claims to assure victims are fully and fairly treated. In addition, the state must evaluate any plan of reorganization to assess whether provisions of that plan could disadvantage existing and future wildfire victims.
- **Assure that PG&E Treats Its Employees Fairly.** PG&E's employees are a critical part of the future of the company and must be treated fairly in the bankruptcy proceeding. The state should monitor the bankruptcy proceedings to assure that employees are treated fairly.

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- **Require that PG&E's Investors Contribute to a Solution.** Part 3 of this report identified certain conceptual approaches to the wildfire liability framework applicable to IOUs. While PG&E would be a beneficiary of any of those constructs, PG&E's investors must contribute to any solution adopted by the state to address wildfire liabilities in a way that benefits consumers. Those contributions could take a variety of forms, including investing in wildfire mitigation and safety or providing funding for other solutions.
- **Require PG&E Meet Conditions to Participate in Changes to the Wildfire Liability Structure for IOUs.** PG&E must meet conditions to participate in any approach to address wildfire liabilities, including fully remaking its corporate and safety culture and prioritizing governance that recognizes the public trust placed in PG&E.
- **Assure That PG&E Meets Its Obligations to Decommission Diablo Canyon.** PG&E must move forward with plans to safely and expeditiously decommission the Diablo Canyon Nuclear Power Plant. Trust funds and other moneys collected by consumers must not be diverted from that effort and additional funds must be provided by PG&E as needed. The state should evaluate the filings in the PG&E bankruptcy proceeding including the plan to assure that such filings require PG&E to meet its obligations with regard to Diablo Canyon.
- **Evaluate the Impact of PG&E Bankruptcy on Clean Energy Goals.** PG&E is party to numerous power purchase agreements that could be impacted by the chapter 11. The state should evaluate the impact of any decisions made by PG&E in its chapter 11 with regard to those agreements in light of California's clean energy goals.
- **Assure Plan is Compliant with Law and Feasible.** The state should evaluate any plan of reorganization to assure that the emerging company will be in compliance with law and that the plan will be feasible.
- **Continue Appropriate Regulatory Oversight.** Although PG&E is in chapter 11, the CPUC also has a substantial say in the future of PG&E (as it does for all IOUs). For example, the CPUC has the power to review PG&E's WMP and its compliance with that plan, as well as to review PG&E's safety culture assessment. The CPUC also has the authority to impose substantial penalties on PG&E for failure to comply with applicable regulations. Moreover, through the rate-setting function, the CPUC may provide incentives for PG&E to make prudent expenditures on, and investments in, safety. This can include actions, such as adjusting the allowed return on equity, that directly affect investors and management. The CPUC should continue to provide appropriate regulatory oversight.

While regrettable, the company's chapter 11 filing offers an opportunity to build a new, responsible, and accountable utility for Northern California.

Given the long history of safety failures and the critical interests at stake, the state can take no options off the table, including municipalization of all or a portion of PG&E's operations; division of PG&E's service territories into smaller, regional markets; refocusing PG&E's operations on transmission and distribution; or reorganization of PG&E as a new company structured to meet its obligations to California..

Conclusion

Catastrophic wildfires present tremendous challenges for California. The Governor's strike force makes numerous recommendations throughout this report to address those challenges. The strike force recommended immediate next steps are below.

Figure-11

Next Steps	
Catastrophic Wildfire Prevention and Response	<ul style="list-style-type: none"> ✓ Publicize the Ready, Set, Go app – Wildfire prevention depends on each of us. To help educate property owners and residents in areas most at risk, CALFIRE has developed an app called “Ready, Set, Go!” that breaks down actions needed to be ready for wildfire. CALFIRE should work with leaders in vulnerable communities on outreach and provide technical assistance. Every Californian should download the Ready Set Go App.
	<ul style="list-style-type: none"> ✓ Monitor and assess mitigation efforts – CALFIRE is pursuing a number of aggressive wildfire mitigation efforts, including distributing local community grants for mitigation. Metrics will be developed to measure the effectiveness of these programs and the community reach for local grant recipients.
	<ul style="list-style-type: none"> ✓ Convene Governor's 2019 Emergency Preparedness Summit – The Governor's Office of Emergency Services will, by June 2019, convene first responders, government agencies, local governments, community residents, and technical experts to develop plans for the state's emergency preparedness. The summit will highlight best practices of local communities, share resources that have worked, and develop the networks necessary for ongoing preparedness improvements.
	<ul style="list-style-type: none"> ✓ Prepare for state response to utilities reducing fire risks – Utilities are reportedly considering expanded de-energization of specific areas during high-risk periods to reduce the risk of wildfires. OES and the CPUC will lead an effort to assess utility plans to de-energize and will work with utilities, local governments, first responders, critical providers, businesses and residents to manage the potential of de-energization.
	<p>pursue necessary resources for wildfire prevention and response.</p>
Mitigating Climate Change through Clean Energy Policies	<ul style="list-style-type: none"> ✓ Work with the Legislature, Cal ISO, and the CPUC on a legislative and regulatory agenda to ensure that California simultaneously addresses the impacts of climate change, including increased wildfires, and the root causes of climate change. Such work must include review of emissions from the electricity and transportation sectors. We must plan for a multi-year reform agenda, working in collaboration with the Legislature.

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	<ul style="list-style-type: none"> ✓ Convene academics, private foundations, stakeholders, and government to assist in the development of a multi-year agenda to ensure that California simultaneously addresses the impacts of climate change.
<p>Fair Allocation of Catastrophic Wildfire Damage</p>	<ul style="list-style-type: none"> ✓ Significant policy development work, legal analysis, and financial simulations have all informed the liability concepts included in the report. However, additional analysis is needed. Request the SB 901 commission to review and analyze major liability concepts presented in report and solicit public comment regarding the different options. ✓ Direct the Governor's Strike Force to continue its work developing these options for consideration by the Governor and the Legislature by no later than this summer. ✓ Request the Department of Insurance to monitor, study, and issue recommendations to maintain an accessible and affordable insurance market throughout the state.
<p>Increasing Capacity of the CPUC with the Tools to Effectively Manage a Changing Utility Market</p>	<ul style="list-style-type: none"> ✓ Focus on building internal CPUC capacity to evaluate and help strengthen the IOU's wildfire mitigation plans immediately. ✓ Direct the CPUC to immediately assess regulatory and legislative changes to make their proceedings more expeditious. Identify and draft regulations and legislation needed to expedite their administrative proceedings. Such proposals should be reviewed with stakeholders and pursued as soon as possible.
<p>Accountable by Building a Utility that Prioritizes Safety</p>	<ul style="list-style-type: none"> ✓ Push for Safety Changes. The CPUC should continue to provide appropriate regulatory oversight on utility safety. The CPUC has the power to review PG&E's wildfire mitigation plan and its compliance with that plan, as well as to review PG&E's safety culture assessment. The CPUC also has the authority to impose substantial penalties on PG&E for failure to comply with applicable regulations. These tools should be actively used to help create the safest utility possible. ✓ Actively Monitor and Appear in the Bankruptcy Proceedings. The state will actively monitor the PG&E bankruptcy proceedings to assure that California's interests are being protected. Where appropriate and necessary, the state will participate in the bankruptcy proceedings and be heard on particular issues of interest to California, including fair treatment of fire victims and employees, issues relating to safety, and factors affecting the state's progress to achieve climate commitments. ✓ Require PG&E's investors to contribute to any solution adopted by the state to address wildfire victim claims. Those contributions could take a variety of forms including investing in wildfire mitigation and safety or providing funding for the wildfire fund.

Wildfires and Climate Change: California's Energy Future

Wildfires have always plagued California. Climate change has made--and will continue to make--the fires hotter, bigger, more frequent, and more destructive. The costs of these fires is unbearable. The loss of human life, property, economic opportunities, community life, exacerbated by the costs to rebuild communities – cannot be sustained.

Yet, we know we cannot avoid all fire risks. This level of disaster touches every Californian. All Californians must share in the responsibility to mitigate wildfires. Paying for the costs of wildfires is also a problem that requires shared responsibility and shared sacrifice. All stakeholders must come together to address the cumulative liability of uncontrolled fires. The status quo is not an option. Doing nothing is unacceptable.

Annex A

Comparison of Wildfire Mitigation Plans

Estimated 2019 Costs (\$ in millions)

PG&E	SCE	SDG&E
O&M: \$849	O&M: \$507	O&M: \$24
Capital: \$1,623	Capital: \$1,027	Capital: \$178
Total: \$2,472	Total: \$1,535	Total: \$202

Plan Priorities

PG&E	SCE	SDG&E
<ul style="list-style-type: none"> • Vegetation Management & Enhanced Inspections • Wildfire Response • System Hardening • Situational Monitoring • Operational Practices (e.g., de-energization) • Tech Research / Development 	<ul style="list-style-type: none"> • Ignition Reduction in High-Risk Areas • Fire Suppression • System Hardening • Communication 	<ul style="list-style-type: none"> • Ignition Reduction in High-Risk Areas • Fire Suppression • Wildfire safety and recovery

High-Risk Exposure (% of Service Territory)

PG&E	SCE	SDG&E
52%	35%	54% ⁵⁵

System Hardening (Est. 2019 % of Circuit Miles Hardened in High-Risk Threat District)

PG&E	SCE	SDG&E
0.6%	0.5%	N/A ⁵⁶

Vegetation Management (Est. 2019 removals / % of total trees)

PG&E	SCE	SDG&E
375,000 trees (0.375%)	7,500 trees (0.500%)	9,000 trees (1.935%)

⁵⁵ Percentage of SDG&E's overhead circuit miles that reside in High Fire Threat Districts. Percentage of Service Territory figures were not available.

⁵⁶ SDG&E uses an execution metric which expects that 90-100 percent of its system will be hardened by the end of 2019. This includes system miles hardened and percentage of poles replaced

Wildfires and Climate Change: California’s Energy Future

Weather Stations in High-Risk Threat District

PG&E	SCE	SDG&E
2019 Install: 400 (1.10 per 100 mi ²)	2019 Install: 315 (1.70 per 100 mi ²)	N/A
Cumulative: 600 (1.65 per 100 mi ²)	Cumulative ⁵⁷ : 440 (2.38 per 100 mi ²)	Cumulative: 175 (6.21 per 100 mi ²)

Cameras in High-Risk Threat District

PG&E	SCE	SDG&E
2019 Install: 71 (0.20 per 100 mi ²)	2019 Install: 62 (0.34 per 100 mi ²)	N/A
Cumulative: 79 (0.22 per 100 mi ²)	Cumulative ⁵⁸ : 160 (0.87 per 100 mi ²)	Cumulative: 107 (3.79 per 100 mi ²)

De-Energization

PG&E	SCE	SDG&E
<ul style="list-style-type: none"> PG&E has implemented the Wildlife Reclosing Disable program to manage circuit breakers if necessary PG&E targets an increase in its Public Safety Power Shutoff program from ~7,000 mi of lines to ~25,000 mi of lines in 2019 	<ul style="list-style-type: none"> SCE has broadly outlined its plans to install additional remote automatic reclosers SCE will conduct Public Safety Power Shutoffs based on the judgement of the incident management team and has a contingency operating plan in place 	<ul style="list-style-type: none"> SDG&E has deployed overhead distribution reclosers focusing on High-Risk Threat Districts To determine whether to employ a Power Shutoff, SDG&E considers multiple variables such as weather conditions, vegetation, field observations, flying debris, expected duration of conditions and location of existing fires/wildfire activity

⁵⁷ Weather stations reflect 2018 + 2019E installations.

⁵⁸ Cameras reflect 2018-2020E installations.

Annex B

SB 901 Factors

1. The nature and severity of the conduct of the electric grid and its officers, employees, contractors, and other entities with which the electric grid forms a contractual relationship, including systemic corporate defects.
2. Whether the electric grid disregarded indicators of wildfire risk.
3. Whether the electric grid failed to design its assets in a reasonable manner.
4. Whether the electric grid failed to operate its assets in a reasonable manner.
5. Whether the electric grid failed to maintain its assets in a reasonable manner.
6. Whether the electric grid's practices to monitor, predict, and anticipate wildfires, and to operate its facilities in a reasonable manner based on information gained from its monitoring and predicting of wildfires, were reasonable.
7. The extent to which the costs and expenses were in part caused by circumstances beyond the electric grid's control.
8. Whether extreme climate conditions at the location of the wildfire's ignition, including humidity, temperature, or winds occurring during the wildfire, contributed to the fire's ignition or exacerbated the extent of the damages. The electric grid shall provide the CPUC with specific evidence and data demonstrating the impact of climate conditions on the severity of the wildfire.
9. The electric grid's compliance with regulations, laws, CPUC orders, and its wildfire mitigation plans prepared pursuant to Section 8386 of the PUC, including its history of compliance.
10. Official findings of state, local, or federal government offices summarizing statutory, regulatory, or ordinance violations by any actor that contributed to the extent of the damages.
11. Whether the costs and expenses were caused by a single violation or multiple violations of relevant rules.
12. Other factors the CPUC finds necessary to evaluate the reasonableness of the costs and expenses, including factors traditionally relied upon by the CPUC in its decisions.

ATTACHMENT 9

**California Catastrophe Response Council, meeting materials
May 1, 2025**



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Notice Publication Date: April 21, 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: May 1, 2025
TIME: 1:00 p.m.
LOCATION: 400 Capitol Mall, Suite 670, Sacramento, CA 95814

TELECONFERENCE ACCESS:

By Computer (Open the Zoom* App, or navigate to www.zoom.com):
Enter Meeting ID: 878 7139 5224
Direct Link: <https://us02web.zoom.us/j/87871395224>

By Phone: 1 (669) 900-6833
Enter Meeting ID: 878 7139 5224

- * 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
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(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 February 13, 2025, meeting of the Council.

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

B. Administrator Enhancements and Updates

1. Liquidity Management – Increase liquidity of claim-paying capacity resources through realizing investment gains
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
3. Wildfire Fund Durability Initiative – Evaluating alternatives for extending Fund durability

C. State Legislative Report

4. 2025 Budget Augmentation: 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.

5. Claims Administration Update: 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).

6. Financial Report: Mr. Hanzel will provide the Council with a financial report on the Wildfire Fund as of March 31, 2025.
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.
8. Adjournment.



California Catastrophe Response Council Memorandum

May 1, 2025

Agenda Item 2: Meeting Minutes

Recommended Action: Approve Minutes of February 13, 2025 Meeting

Attached are draft minutes of the California Catastrophe Response Council (Council) meeting held on February 13, 2025. CEA staff has reviewed these minutes and believe 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 February 13, 2025 meeting.

**DRAFT
CALIFORNIA CATASTROPHE RESPONSE COUNCIL MEETING
MINUTES**

**February 13, 2025
2:00 p.m.**

Location: 400 Capitol Mall, Suite 670
Sacramento, CA 95814

Members of Council in attendance:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom
Lisbeth Landsman-Smith, 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
Paul Rosenstiel, Vice Chair, Public Member
Rhoda Rossman, Public Member*
Catherine Barna, Public Member*

*Participated remotely.

Members Khaim Morton, designee of State Treasurer Fiona Ma, and Kathleen Ritzman, appointee of the Senate Committee on Rules, were unable to attend.

Members of the CEA staff in attendance:

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

[Note: Agenda Item 9 was taken out of order. These minutes reflect these Agenda Items as listed on the agenda and not the order in which they were actually taken during the meeting.]

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

Chair Mark Ghilarducci called the meeting of the California Catastrophe Response Council (CCRC or Council) to order at 2:04 p.m.

Ms. Johnson called the roll and announced that a quorum was present.

Mr. Cash asked permission to participate remotely for this meeting as his doctor diagnosed him with the flu yesterday.

Chief Executive Officer Tom Welsh stated, under the rules, a majority of members must be physically present at the meeting location for the meeting to proceed. Because Mr. Cash seeks to participate remotely due to illness/medical condition, he can do so, and his remote attendance can be counted toward the in-person majority as long as the

Council approves the exception. He noted that the approval of Mr. Cash's remote participation will establish the necessary in-person majority requirement for this meeting.

The Council unanimously approved Mr. Cash's remote participation based on his illness/medical condition for today's meeting.

2. Minutes: Review and approve the minutes of the November 14, 2024, meeting of the Council.

MOTION: Ms. Van Houten moved to approve the November 14, 2024, minutes of the California Catastrophe Response Council. Mr. Rosenstiel seconded. There was no public comment on the motion. The motion passed unanimously by roll call vote.

3. Executive Report: Tom Welsh, Chief Executive Officer, and CEA Executive Staff will provide a report on the following topics:

A. January 2025 Southern California Wildfires – Recap of the wildfires and discussion of the CEA's wildfire monitoring and reporting protocols.

Mr. Welsh introduced this Agenda Item and asked his team to give their presentations.

George Sittner, Chief Insurance and Claims Officer, provided a slide presentation overview of the January 2025 Southern California wildfires and their impacts, wildfire monitoring and reporting, and the Quarterly Claims Report. He reviewed key wildfires and loss estimates that the California Earthquake Authority (CEA or Administrator) continues to monitor, including the Mosquito, Dixie, Zogg, and Kincade Fires.

Discussion

Ms. Rossman asked about the timeframe of the investor-owned utility company (IOU) involvement and causation investigation.

Mr. Sittner stated the Administrator is not a part of that investigation so the timeframe is unknown. He stated that it took about six months for a causation determination for the Dixie Fire, but there have been times that causation took longer or shorter, and instances where causation has never been determined.

Vice Chair Rosenstiel asked how the \$1 billion is measured and how multiple fires impact that amount.

General Counsel Suman Tatapudy stated the \$1 billion is in the aggregate per IOU per coverage year. Claims from covered wildfires can be aggregated over a single coverage year that all contributes to the \$1 billion threshold.

B. General discussion of Wildfire Fund Administration:

1. The purpose and function of the Wildfire Fund, and the roles of the Administrator and CCRC; and

Mr. Welsh provided a slide presentation overview of the purpose and function of the California Wildfire Fund (CWF or Wildfire Fund), the Legislature's stated goals, the duties and responsibilities of the Administrator, and the powers and authority of the Council. He stated the Administrator continues to look for opportunities within the claims

procedures to manage claims and liabilities to optimize its ability to meet the legislative purposes of Assembly Bill (AB) 1054 that created the Wildfire Fund in 2019.

2. Wildfire Fund Liquidity Management and Claim-Paying Capacity.

Chief Financial Officer Tom Hanzel provided a slide presentation overview of the investment portfolio, maturity structure and liquidity, and claim-paying capacity of the Wildfire Fund. He stated the current total portfolio has a \$12.6 billion market value. He noted that, as of the end of 2024, after reserving for reported Dixie Fire claims, aggregate claim paying capacity exceeded \$21 billion.

C. Forward-Looking Administration Activities.

Mr. Welsh stated, while it is too early to assess the long-term impact of the January Southern California wildfires on the Wildfire Fund, these wildfires have generated intense interest in the Wildfire Fund, its durability, and its ability to continue meeting its legislative and public policy purposes. Eligible claims from covered wildfires will determine the Wildfire Fund's future. The Administrator is continuing its work on long-range planning, including collaborating with policymakers, the IOUs, and other stakeholders, and will be playing a vital role in any initiatives that may impact the Wildfire Fund.

Mr. Welsh suggested scheduling an additional Council meeting on May 8, 2025, because of the intense policy discussions currently occurring due to the January 2025 Southern California wildfires. He stated staff will work to secure a date that works with most Council members.

Discussion

Ms. Van Houten asked for a standing agenda item updating the Council on any legislation that contains the word "wildfire." She also asked for a simple Council introduction letter that could be sent to legislators that points out that the CEA is the effective and competent Administrator of the Wildfire Fund.

Vice Chair Rosenstiel asked if information about the roles of the Council and Administrator could be included any education materials or letters put out by staff.

Chair Ghilarducci asked staff to draft a letter from the Council to members of the Legislature.

Ms. Van Houten asked for a future agenda item to hear from pre-2019 fire victim advocates as an educational repository for stories.

Chair Ghilarducci asked the General Counsel if it is within the authority of the CCRC to agendize an item to hear pre-2019 public comment, which is outside the scope of the Wildfire Fund.

Ms. Tatapudy agreed that there may be legal issues with agendizing something that is outside the subject matter jurisdiction of the Council. She stated she will research this issue.

Mr. Rosenstiel suggested, if this conversation is agendized, expanding it to include a thorough presentation on why the victims of the pre-2019 wildfires got into this situation, which is because PG&E was in bankruptcy.

Chair Ghilarducci stated he agreed with the concept of providing time during public comment for individuals to share stories of IOU-caused fires pre-2019 for educational purposes, but noted that many variables are associated with wildfire losses. He asked to move Agenda Item 9, the General Public Comment section, up to give the public time to share their stories.

4. Claims Administration Update – George Sittner, Chief Insurance and Claims Officer, will update the Council on the status of administering PG&E’s claim arising from the Dixie Fire, and wildfire monitoring for prior wildfire seasons.

Mr. Sittner provided a slide presentation overview of the implementation of wildfire fund claims administration procedures for the Dixie Fire:

Claims Review Services Scope of Work and Timeline

- PG&E has reached the \$1 billion paid claims threshold amount (mid-June 2024).
- Sedgwick Claims Management (Sedgwick) notified the CEA that upon completion of the Threshold Claim Review, a conclusion was reached that claims paid to reach the threshold amount of \$1 billion were settled using Reasonable Business Judgment, as defined in the Procedures.
- Sedgwick has also reviewed Eligible Claims paid in June of 2024, and has found those claims met the Reasonable Business Judgment standard, and CEA has reimbursed PG&E.
- Payments have been made to PG&E for Eligible Claims paid a total of \$257 million from June 2024 to October 2024.
- PG&E, per its 3rd Quarter 2024 SEC 10-Q quarterly report filing, has reported an estimated \$1.925 billion in aggregate liability related to the Dixie fire. This estimate does not include state and federal fire suppression costs.

Discussion

Chair Ghilarducci asked for verification that the process with the IOUs has gone relatively smoothly and the quality of the data received is timely.

Mr. Sittner stated the claim work is high quality and includes more documentation than is normally seen in claim files.

Chair Ghilarducci asked how the Federal Emergency Management Agency (FEMA) enters into the process, including the duplication of benefits issue.

Mr. Sittner stated FEMA has not yet put in an interest claim.

Chair Ghilarducci asked if staff has proactively worked with the IOUs to ensure that the claim-paying process goes smoothly.

Mr. Sittner stated he meets with the IOUs regularly. They are well aware of the process and the steps it will take.

5. Enterprise Risk Management (ERM) – Shawna Ackerman, Chief Risk and Actuarial Officer, will report on CEA’s ERM program.

Chief Risk and Actuarial Officer Shawna Ackerman provided a slide presentation overview of the Risk Assessment Scorecard, legislative monitoring, mitigation, and IT systems and data security. She stated the quarterly status for each priority risk on the Scorecard was unchanged from the November 2024 report to the Council, except that the inherent risk score for reputation was changed to high, based on increased interest in the Fund. All IOUs have received their safety certification as of December 2024.

There were no questions from Council Members and no public comment.

6. Financial Report – Tom Hanzel, Chief Financial Officer, will provide the Council with a financial report on the Wildfire Fund as of December 31, 2024.

Mr. Hanzel provided a slide presentation overview of the financial report as of December 31, 2024.

Balance Sheets:

- Total assets increased year-over-year by approximately \$1.4 billion, to approximately \$12.9 billion at the end of the year.
- The Wildfire Fund's Total Net Position increased year-over-year by approximately \$1.3 billion, to approximately \$12.2 billion at the end of the year.

Statements of Revenues, Expenses, and Changes in Net Position:

- The Total Additions to Fund Assets was approximately \$1.5 billion this year, after the prior year of approximately \$1.7 billion.
- The Total Deductions to Fund Assets was approximately \$278 million this year, after the prior year of approximately \$850 million, for a Total Net Position of approximately \$12.2 billion at the end of the year.

Contributions and NBCs Received – from inception through 12-31-2024:

- Approximately \$13.1 billion of proceeds have been received from the IOUs and ratepayers as of the end of the year.

Investment Analysis:

- The Income Return Net of Fees increased this year to 2.84 percent, as compared to 2.53 percent for the prior year, due to the reinvestment of maturities into higher-yielding securities.
- The duration continues to increase and ended the year at 3.69 years.

There were no questions from Council Members and no public comment.

7. Proposed 2025 CWF Budget: Mr. Hanzel will seek approval of the proposed 2025 California Wildfire Fund Budget.

Mr. Hanzel provided a slide presentation overview of the budget process and proposed budget for 2025. He stated approximately \$611 million of paid wildfire claims is estimated for this year. \$169 million of wildfire claims were paid last year. Personnel Expenses and General and Administrative Expenses were approximately \$2.79 million for this year, as opposed to \$2.72 million last year.

Staff Recommendations:

- Approve the proposed 2025 CWF budget as presented; and
- Direct staff to operate the CWF business within the total approved budget amounts.

Discussion

Vice Chair Rosenstiel stated the Department of Water Resources (DWR) costs are only included as an asterisk item for the Rate Payer Monthly non-bypassable charges (NBCs), Net Line Item. He stated it may be more useful to the Council to see the gross NBCs year-by-year for the DWR, rather than the net.

Ms. Van Houten agreed. She asked if the Personnel Expenses Line Item takes the enhanced impact of the January Southern California fires into consideration.

Mr. Hanzel stated the budget slides were made prior to the January fires. A revised budget will be presented to the Council in May, if necessary.

MOTION: Ms. Landsman-Smith moved to approve the staff recommendations. Ms. Barna seconded. There was no public comment on the motion. The motion passed unanimously by roll call vote.

8. Administrator Evaluation: Mr. Welsh will ask the Council to appoint one CCRC member to review the 2024 Wildfire Fund evaluation form to be distributed to members.

Mr. Welsh asked for a volunteer to work with staff to ensure the right questions are being asked in a survey to be subsequently sent to the Council.

Ms. Van Houten volunteered to review the 2024 Wildfire Fund evaluation form.

[Note: Agenda Item 9 was taken out of order and was heard before Agenda Item 4.]

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.

Lauren Weetman attended virtually. Ms. Weetman's full public comment is attached to these minutes.

10. Adjournment.

Ms. Van Houten asked to adjourn the meeting in honor and in memory of the 29 individuals who lost their lives in the Eaton and Palisades Fires.

Chair Ghilarducci thanked everyone and adjourned the meeting at 3:51 p.m.

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, FEBRUARY 13, 2025
2:00 P.M.

Recorded by: Rebecca Hudson

APPEARANCESCalifornia Catastrophe Response Council Members:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom

Lisbeth Landsman-Smith, 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

Paul Rosenstiel, Vice Chair, Public Member

Rhoda Rossman, Public Member*

Catherine Barna, 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

George Sittner, Chief Insurance and Claims Officer

Suman Tatapudy, General Counsel

Susan Johnson, Governance Liaison

Members of the Public Offering Comment

Lauren Weetman*

*Participated remotely

PROCEEDINGS

3:17 p.m.

1
2
3 **9. Public Comment: Public comment on matters within the California**
4 **Catastrophe Response Council's subject matter jurisdiction that do not**
5 **appear on this Agenda. Please note that while the Council may hear**
6 **general public comments on matters within its subject matter jurisdiction,**
7 **Council members may not otherwise deliberate, including providing**
8 **substantive comments in response to, any matter not specified on this**
9 **Agenda.**

10 LAUREN WEETMAN: Hi. Thanks for the time. I
11 just wanted to ask about any mechanisms to kind of
12 replenish the Fund or how you guys would think about to the
13 extent that damages or anything were to happen that would
14 kind of exceed the current amount either funded or the
15 overall sort of cap. How you would think about kind of the
16 future of the fund?

17 CHAIR GHILARDUCCI: Great question.

18 Tom or Tom?

19 MR. WELSH: I will try to address that. One of
20 the challenges that we have with public comment is always
21 making sure that it's something that is agendized. And so,
22 we certainly, Ms. Weetman, would be happy to hear any
23 thoughts that you have as public comment about that topic
24 so that we can put them on the record and the Council can

1 be aware of them.

2 We can't really use this forum to deliberate or
3 discuss topics that we haven't properly agendized because
4 we have to follow rules related to open meetings, but,
5 please, if you have thoughts about that, feel free to share
6 them with the Council.

7 MS. WEETMAN: I'll defer to the experts for that
8 one for now, but I appreciate the time.

9 (The meeting continued but was not transcribed.)

10 (The meeting was adjourned at 3:51 p.m.)

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CERTIFICATE OF REPORTER

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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 19th day of February, 2025.

Rebecca Hudson
REBECCA HUDSON

California Catastrophe Response Council Memorandum

May 1, 2025

Agenda Item 3: Administrator Report & Council Discussion

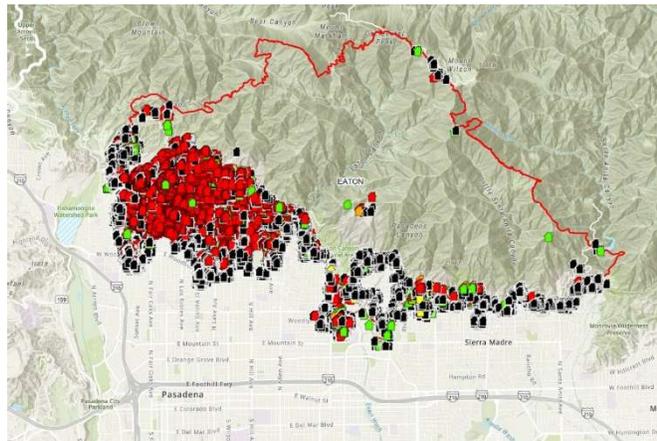
Recommended Action: Discussion Item

The January 2025 Southern California Wildfires are expected to emerge as the costliest wildfires in U.S. History, with current loss estimates of up to \$45 billion. The ultimate cost of these wildfires will not be known for many years, but the final number is certain to eclipse the approximately \$12 billion in loss from the 2018 Camp Fire. The significance and impact of the event on California, and potentially on the Wildfire Fund, prompted the scheduling of this additional meeting of the California Catastrophe Response Council to facilitate a discussion on and understanding of the ways in which the event may impact the administration of the Wildfire Fund. No final cause determination has been made on either of the two major fires – Palisades and Eaton – but the Eaton fire has the greatest potential to impact the Wildfire Fund given that it ignited within the service territory of Southern California Edison (SCE).

A. Eaton Fire Update

According to CAL FIRE data, the Eaton fire in the Altadena area burned more than 14,000 acres, destroyed 9,414 structures (residential & commercial), and damaged 1,000 more. The fire resulted in 18 deaths and 9 firefighter injuries.*

The cause of the fire remains under investigation. Recent news reports and allegations in lawsuits are pointing to the potential that idle, unconnected SCE transmission lines became energized through induction. (See, e.g., **Attachment 3.A**).



*(<https://www.fire.ca.gov/incidents/2025/1/7/eaton-fire>)



In addition to media speculation, the Eaton fire has also attracted opportunistic, profit-driven investment speculation. Hedge Funds and other speculators are actively seeking to profit from California’s devastating wildfire catastrophes by purchasing subrogation rights from the insurance companies that are currently paying out on insurance claims. These hedge fund investors are particularly motivated to buy Eaton-related subrogation claims at values below 50% with the anticipation of turning outsized profits by seeking upwards of 80% or greater recoveries from SCE. The profit-driven, inflated settlement levels that the investors will seek from SCE (should it be determined to have caused the Eaton fire) creates the potential to increase the Wildfire Funds exposure by billions of dollars above what might be paid directly to the California insurers that are currently assisting in the recovery and rebuilding efforts by administering and paying their customers’ claims.

Advisory firms assisting these investors are soliciting California insurers, including the CEA and the California FAIR Plan, with purchase offers. The CEA has received these solicitations despite the fact that CEA only insures against earthquake damage and does not cover fire losses, and apparently unaware of the CEA’s role as Administrator of the Wildfire Fund. A sample of the solicitations received by the CEA are included as **Attachment 3.A(1)**.

B. Administrator Enhancements and Updates

Regardless of whether and/or when the Eaton Fire become a “covered wildfire” that creates exposure to the Wildfire Fund, the January 2025 Southern California Wildfires has prompted the CEA to take actions and consider other activities to optimize administration of the Wildfire Fund and to seek ways to extend its durability. Each of the following activities will be discussed during this meeting:

1. Liquidity Management – Increasing the liquidity of claim-paying resources through realizing investment gains on strategic trades.
2. Claims Procedures – The consideration of potential amendments to the Wildfire Fund Claims Procedures to address the evaluation and prioritization of investor-owned subrogation claims, among other items.
3. Wildfire Fund Durability Initiative – The CEA has undertaken a significant project to evaluate alternatives for extending the durability of the Wildfire Fund in the face of potential large losses. Related to this, the CEA continues its work to



develop a clear plan to undertake an eventual “wind-up” of the Wildfire Fund, if and when eligible claims incurred from covered wildfires exhaust the Fund’s available claim-paying capacity.

C. State Legislative Report

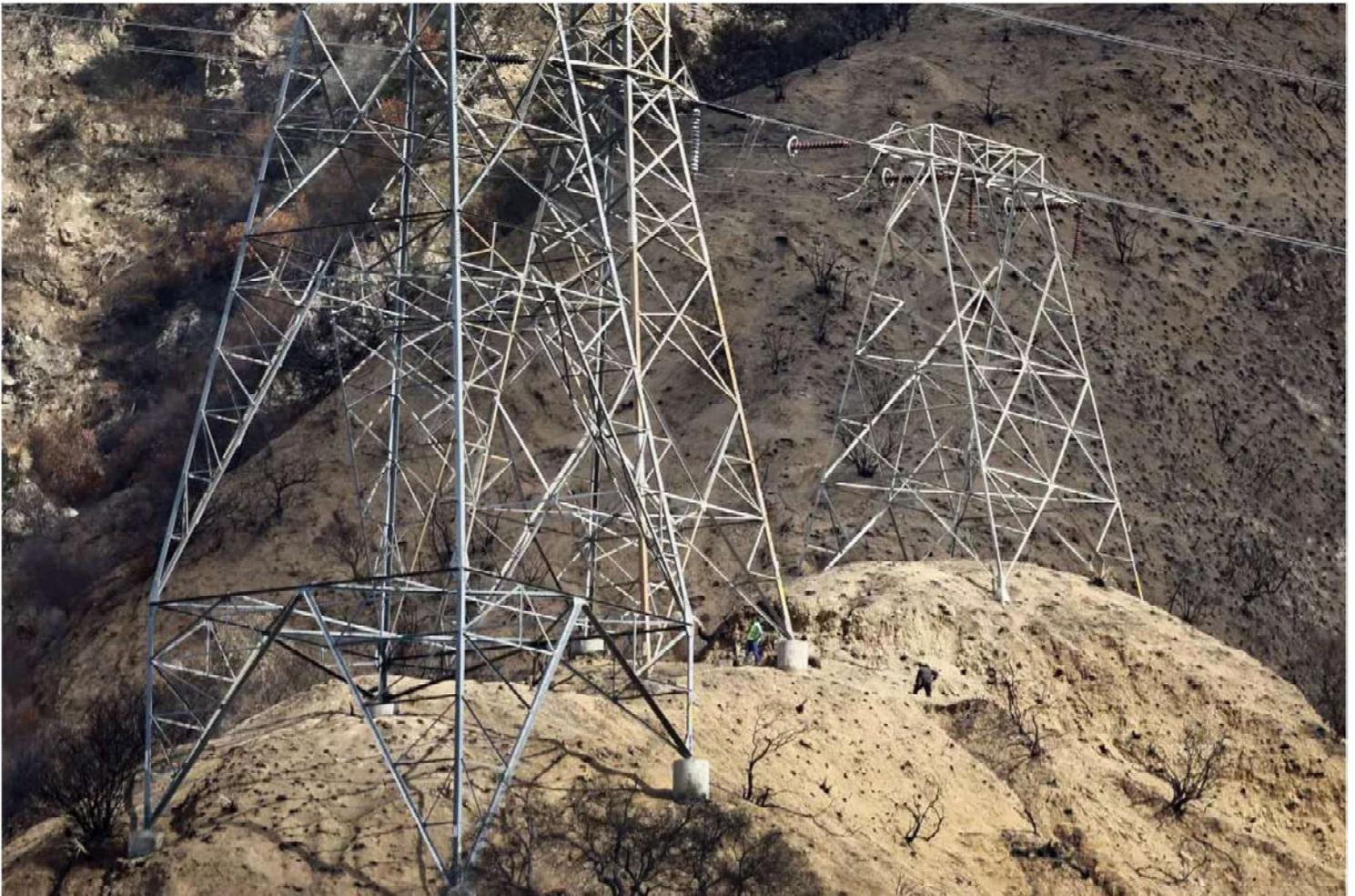
The CEA is tracking a number of bills introduced in the California Legislature that have the potential to impact the Wildfire Fund, although none of the bills in their current form propose specific amendments to AB 1054 or any of the statutes that directly govern the Wildfire Fund. However, it remains early in the legislative process and any number of these or other bills could be subsequently amended in a way that would impact the Wildfire Fund. The CEA’s close legislative monitoring will continue through the end of the Session on September 12 (and ultimately through October 12, 2025, which is the last day for the Governor to sign any bills passed by the Legislature. A 10-page chart listing the bills currently being tracked is included as **Attachment 3.C**.

Los Angeles Times

Los Angeles fires Mapping the damage Help for Angelenos How to help Fire preparation new

CALIFORNIA

Edison says dormant powerline is a leading theory for cause of Eaton fire



Investigators examine electrical transmission towers near the origin of the deadly Eaton fire in Eaton Canyon in February. (Allen J. Schaben/Los Angeles Times)

By Salvador Hernandez
Staff Writer

April 11, 2025 Updated 8:01 PM PT

- Edison will take steps to harden idle transmission towers and lines across its network to guard against possible reenergizing events.

- Those measures include conducting additional field inspections, reviewing past inspections, and making changes in an internal maintenance manual.
- The investigation continues.

The possibility that an idle, unconnected Southern California Edison transmission line somehow reenergized on Jan. 7 is “a leading hypothesis” for what started the destructive Eaton fire, Edison International Chief Executive Pedro Pizarro said Friday.

In response, Edison will take steps to harden other idle towers and lines across its network to prevent reenergizing incidents. Those measures include conducting additional field inspections, reviewing past inspections, and making changes in an internal maintenance manual that instruct crews on how to properly ground the idle equipment.

In a Friday interview with The Times, Pizarro said the actions were being taken out of “an abundance of caution.” He also stressed that the company is still exploring all possibilities into what caused the fire. However, current evidence — including videos and data from the lines — suggests the possibility that the idle equipment was reenergized through a phenomenon called induction and sparked the Jan. 7 inferno.

“Induction seems to be a key thing to be looking at here because the idle line was not connected to any equipment,” Pizarro said. “It had no direct source of power. It was like an extension cord sitting on your floor, not connected to the wall.”

Induction occurs when the magnetic field of another active line nearby induces an electric current in the unconnected line. It is considered rare, but has been raised as a possibility by attorneys who have since sued Edison on behalf of residents who lost their homes in the fire.

Now, the utility is exploring it as a leading theory and also ensuring that similar idle equipment is properly grounded, so that sudden power surges can be safely dissipated into the earth.

“We have to look at everything,” Pizarro said. “Given that there was video of the flashing and the fire starting apparently around the idle transmission tower, and given that that line it was holding was not connected to anything, then induction becomes a leading hypothesis.”

Edison reported to the state’s regulatory commission that four of its lines over Eaton Canyon saw a momentary [surge of electrical current](#) at about the same time the fire ignited. In the filing, officials noted the current increase “remained within the design limits” of its circuits.

“Initially we didn’t think there were dots to connect here because we had protected equipment on all our transmission lines,” Pizarro said.

But video showing the initial flames of the fire appeared to be ignited under the idle tower raised serious concerns, and prompted the company to take additional steps.

As a precaution, Pizarro said, the giant utility company revised an internal manual that outlines how the idle equipment must be grounded.

At least one lawsuit filed against SCE included photos of the tower with four feet of exposed grounding wire protruding from the steep hillside.

The changes in the manual were noted in a filing with state regulators on Feb. 6. [Edison had declined to provide](#) the Los Angeles Times a copy of the changes or provide details on it for weeks, saying it was an internal document. The California Public Utilities Commission also denied a public records request from The Times to disclose the information.

On Friday, the company shared the revised section of the manual, which officials said provided uniformity into how idle Edison equipment is now to be grounded.

Rajdeep Roy, vice president of transmission operations and substations for Edison, told The Times that the revision came after the Jan. 7 fires, and it was the only change made at the time.

Before the revision, grounding procedures were determined by engineers at the time that the equipment became idle, he said. The grounding procedures were based on a case-by-case basis due to the equipment, terrain and surrounding lines.

The new policies, reviewed by The Times on Friday, provide specifications for equipment, including the type of grounding wire to be used and number of bolts required depending on the type of structure. They also differentiate between the required grounding for wood, lightweight steel poles, and lattice towers like the ones under scrutiny in Eaton Canyon.

The revision also requires grounding every two miles of idle line, in sections that are within 600 feet of a 220kV or 500kV line.

“As you look across the industry, there isn’t a very clear common standard for what you do with an idle line,” Pizarro said.

Edison is reviewing whether the manual changes will require the company to install additional grounding of idle lines, or change grounding equipment, Pizarro said.

He also said crews were conducting field inspections of idle equipment, and performing “desktop inspections” — a review of photographs taken during past equipment visits to check for potentially overlooked issues.

“You have folks raising all types of theories from outside the company, and it just raises questions to say, ‘Let’s take another look,’” Pizarro said.



Salvador Hernandez

Salvador Hernandez is a reporter on the Fast Break Desk, the Los Angeles Times’ breaking news team. Before joining the newsroom in 2022, he was a senior reporter for BuzzFeed News, where he covered criminal justice issues, the growing militia movement and breaking news. He also covered crime as a reporter at the Orange County Register. He is a Los Angeles native.

Tom Welsh

From: Ryder, Ronald <Ronald.Ryder@opco.com>
Sent: Friday, April 18, 2025 6:52 AM
To: Tom Welsh
Subject: \$125 Million+ Palisades Subro Claims Trading Here at Oppenheimer – Secondary Market Update

You don't often get email from ronald.ryder@opco.com. [Learn why this is important](#)

Hi Tom,

Oppenheimer successfully traded \$125 million+ Palisades subro claims yesterday. Please see below for updates and key takeaways.

- **This is the very first independent transaction in the secondary market solely for Palisades subro recovery rights.**
- Prior to this transaction, all Palisades claims that have traded were coupled with an insurer's Eaton recovery rights.
- The ability for an insurer to independently monetize Palisades is a significant milestone for the secondary market.
- Oppenheimer is not aware of any direct evidence pointing to a subrogatable event for the Palisades Fire.

If you have Palisades exposure, please call Oppenheimer to discuss current pricing, transaction structures, and the case for recovery, if any.

Regards,

Ron Ryder

Oppenheimer & Co. Inc. | Co-Head: Special Assets
85 Broad Street 26th Floor | New York, NY 10004
O: 212-885-4918 | M: 609-320-0970
ronald.ryder@opco.com

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Tom Welsh

From: Ryder, Ronald <Ronald.Ryder@opco.com>
Sent: Tuesday, April 15, 2025 6:56 AM
To: Tom Welsh
Subject: More LA Wildfire Subrogation Claims Trade Here at Oppenheimer, \$1 Billion+ to Date - Secondary Market Update

You don't often get email from ronald.ryder@opco.com. [Learn why this is important](#)

Hi Tom,

Another block of LA Wildfire Subrogation claims are trading here today at Oppenheimer. There have been at least 10 transactions, to date, totaling \$1 billion+ worth of recovery rights between Eaton and Palisades.

Cited Reasons for Selling

Insurers we've worked with have cited the following reasons for choosing to monetize subro recovery rights now:

1. Better positioning for reinsurance treaty negotiations
2. Net recovery today vs. expected recovery in the future net of lawyer contingency fees
3. Time and resources saved
4. Getting ahead of future CAT events this year

Current Market Status

After 2.5 months of transactions, this is where the market currently stands at a high level:

1. Buyers can pay for Eaton claims on a Total Indemnity basis AND may be able to include upside-sharing
2. Certain buyers can pay independently for only Palisades
3. Buyers will assume all Made Whole Doctrine impairment risk
4. Timeline for price agreement to closing and funding is approximately 1-2 weeks

Please call us to discuss color on current pricing, specific transaction structures, and the case for recovery in both Eaton and Palisades.

Best,

Ron Ryder

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Tom Welsh

From: Ryder, Ronald <Ronald.Ryder@opco.com>
Sent: Thursday, April 3, 2025 7:51 AM
To: Tom Welsh
Subject: LA Wildfire Subro Recovery Rights – Secondary Market State of the Union After 2 Months – Oppenheimer & Co.

You don't often get email from ronald.ryder@opco.com. [Learn why this is important](#)

Hi Tom,

It has been nearly two months since Oppenheimer facilitated the very first secondary market transaction for LA Wildfires Subrogation Recovery Rights. The market has continued to evolve on a weekly basis as Oppenheimer continues to actively work on these transactions. Below is a summary where things stand after two months.

Please call us to discuss all of the below in more detail.

Price Levels & Bid Structures

Eaton: **47.00% bid on a Total Indemnity basis**

Palisades: **5.00% bid with an upside-sharing mechanism**

NOTE - We have buyers of BOTH Eaton and Palisades independently. This means an insurer can now maximize secondary market recovery for BOTH fires. These prices are also just starting points to engage. There are multiple different factors that impact pricing positively or negatively.

Common Reasons for Selling

Net Present Value ("NPV"): The current pricing on Eaton in the mid-40s+ context represents an attractive NPV for insurers. If you can recover in the mid-to-high 40s today from the secondary market, that may be more attractive than recovering 60+ cents in a settlement 2-3 years from now AND having to pay out a contingency fee to a subro law firm. The latter could result in a net recovery in the low 50s years from now which would equate to a lower NPV than the current secondary market price.

June 1st Reinsurance Treaty Renewals: Many insurers are starting to meet with their reinsurers to discuss the June 1st Treaty Renewals. Some insurers may want to show a subro recovery ahead of the June 1st treaty renewal in order to negotiate better reinsurance rates/terms.

Timing of CAT Events: Many insurers are weighing exposure to existing CAT events they have no recovered subro on (e.g. Lahaina, Maui) with hail season, hurricane season, etc. As CAT events are becoming more prevalent, insurers are becoming more quick to recovery subrogation in the secondary market to fortify the balance sheet.

Trading Documents

ACV vs. Total Indemnity: All of Oppenheimer’s buyers are now able to purchase recovery rights on a Total Indemnity basis. This is a material secondary market update as it will now streamline negotiations on price and the actual size of an insurer’s losses.

Made Whole Impairment Recourse: All of Oppenheimer’s buyers are assuming all of the Made Whole Doctrine impairment risk if asserted by underinsured policyholders. This is a significant development as insurers will not have any contingencies on the sale proceeds it may be sending to its reinsurers.

True-Ups on Open/Reserve: All of Oppenheimer’s buyers provide for a true-up payment on any open/reserved losses that are ultimately paid in the future.

Transaction Settlement & Closing Process

Timeline: From agreeing on price to funding typically takes 1-2 weeks. Our first transaction closed in just 7 days.

Documents & Funding: Buyers take a two-step approach of using a Trade Confirmation to lock in economics and high-level material terms for both parties. A Purchase & Sale Agreement (“PSA”) is then used as the final operating document and contains all of the explicit representations and warranties. Funding commences 24-48 hours after the PSA is fully executed.

State of the Subro Cases

Eaton: Subro counsel filed a complaint in LA County Court against Southern California Edison on March 4th. Counsel has accelerated the case to preserve evidence at the ignition site. The next Case Management Conference is scheduled for April 17th at 10:00am PST.

Palisades: Insurers have not yet filed a complaint relating to the Palisades fire. However, multiple Individual Plaintiffs (homeowners) have filed complaints against the LA Department of Water & Power (“LADWP”) alleging culpability under the Inverse Condemnation argument.

Best,

Ron Ryder

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Tom Welsh

From: Ryder, Ronald <Ronald.Ryder@opco.com>
Sent: Friday, March 28, 2025 10:04 AM
To: Tom Welsh
Subject: Buyer of LA Wildfire Subrogation Recovery Rights, Secondary Market Update – Oppenheimer & Co.
Attachments: Wall Street Brokers Start Trading Insurer Claims From LA Fires - Bloomberg News - 3.20.25.pdf

You don't often get email from ronald.ryder@opco.com. [Learn why this is important](#)

Hi Tom,

My Name is Ron Ryder and I am Co-Head of Special Assets trading here at Oppenheimer & Co. (NYSE: OPY), a publicly-traded investment bank based in New York. My team develops secondary market liquidity for unique assets such as subro recovery rights. We have been actively trading the subro recovery rights for the LA Wildfires (see attached Bloomberg News story from last week).

Please let us know if your company has exposure to either Eaton or Palisades – Oppenheimer is representing multiple buyers of both.

LA Wildfire Subrogation Recovery Rights – Secondary Market Update

- **Eaton:** Currently a 45.00% bid on a Total Indemnity basis
- **Palisades:** Currently a 3.00% bid with an upside-sharing mechanism
- Oppenheimer has facilitated 4 transactions for LA Wildfire subro recovery rights, totaling hundreds of millions combined between Eaton and Palisades
- Average timeline to close and fund has been less than 2 weeks with the first transaction taking just 7 days

Please call us to discuss the current price context, how transactions are being structured, and the status of each subro litigation case.

Regards,

Ron Ryder

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Tom Welsh

From: kearney.mckiernan@thirdbridge.com on behalf of Kearney McKiernan <kearney.mckiernan@thirdbridge.com>
Sent: Friday, March 14, 2025 2:27 PM
To: Tom Welsh
Subject: Paid Expertise Request: Your Experience with Subrogation Claims and the California Wildfires

You don't often get email from kearney.mckiernan@thirdbridge.com. [Learn why this is important](#)

Hi Tom,

I hope you are doing well! I just came across your LinkedIn profile while doing some initial research into the subrogation claims and the California wildfires and wanted to reach out regarding a short consulting opportunity.

I work for Third Bridge, a primary research firm in New York. I'm currently working alongside an institutional investor looking to speak with an expert like yourself who can discuss the market landscape and industry trends relative to subrogation claims and the California wildfires.

This potential consultation would give you the chance to shape industry discussions and we would, of course, compensate you for your time. I would be happy to discuss a rate with you that you see fit given your qualifications. I can be reached at +1 646-518-5228 or feel free to schedule a call at your convenience through my Calendly at <https://calendly.com/kearney-mckiernan-thirdbridge>. Due to the nature of this particular project, my client is looking to set up a consultation in the next 48 hours. Do you have ~5 minutes to connect over the phone today so I can provide more detail about the project?

Best,

Kearney

[Kearney McKiernan](#)
Global Equities

D: 1 646 518 5228
thirdbridge.com

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About us

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Our vision for delivering deep insight and unbiased market intelligence has evolved into a business with a range of complementary services, seven offices across three continents and a global client base.

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2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
AB 1	Connolly	4/2/2025	Residential property insurance: wildfire risk	The bill aims to regulate wildfire risk in residential property insurance in California. It requires the state's insurance department to consider updating its regulations to include additional building hardening measures for property-level mitigation efforts and communitywide wildfire mitigation programs.	Assembly Appropriations
AB 238	Harabedian and Irwin	4/2/2025	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.	In Senate
AB 252	Bains	3/24/2025	Wildfire 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
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.	Assembly Emergency Management
AB 270	Petrie-Norris	4/3/2025	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 Privacy and Consumer Protection

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
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 Emergency Management
AB 300	Lackey	4/23/2025	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.	Assembly Emergency Management
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
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

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
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 Resources
AB 429	Hadwick	2/5/2025	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	2/6/2025	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	Assembly Appropriations
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	4/23/2025	Forest Organic Residue, Energy, and Safety Transformation and Wildfire Prevention Fund Act.	The bill aims to establish a new fund to reduce wildfire risk by providing funding for fire fuel reduction efforts.	Assembly Utilities & Energy
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 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.	Assembly Appropriations

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
AB 1227	Ellis and Gallagher	4/11/2025	California Environmental Quality Act: exemption: wildfire prevention projects.	The bill aims to exempt wildfire prevention projects from the California Environmental Quality Act (CEQA) requirements.	Assembly Natural Resources
AB 1455	Bryan	2/21/2025	California Environmental Quality Act: certified regulatory program: State Board of Forestry and Fire Protection: ember-resistant zone.	The bill aims to update the guidance document on fire hazard planning, which is currently due for an update every 8 years.	Assembly Appropriations
AB 1457	Bryan	2/21/2025	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.	Assembly Emergency Management
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.	Assembly Emergency Management
SB 256	Perez	3/26/2025	Electricity: electrical infrastructure: wildfire mitigation: undergrounding: emergency operations.	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. The bill also establishes a program to underground electrical distribution infrastructure.	Senate Energy, Utilities, and Communications

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
SB 326	Becker/Laird	2/11/2025	Wildfire safety: The California Wildfire Mitigation Strategic Planning Act	This bill requires the Office of the State Fire Marshal to prepare, and regularly update, a Wildfire Risk Mitigation Planning Framework, a Wildfire Risk Baseline and Forecast, and a Wildfire Mitigation Scenarios Report.	Senate Appropriations
SB 429	Cortese	3/26/2025	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.	Senate Appropriations
SB 514	Cabaldon	4/9/2025	Wildfire prevention: assessment: accreditation.	This bill aims to prevent wildfires by creating a standardized accreditation framework for counties, local governments, fire safe councils, and homeowners.	Senate Appropriations
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.	Senate Appropriations
SB 629	Durazo	3/26/2025	Wildfires: fire hazard severity zones: defensible space, vegetation management, and fuel modification	This bill aims to improve wildfire prevention and preparedness in California by enhancing the state's fire hazard severity zones.	Senate Local Government
SB 653	Cortese	4/10/2025	Wildfire prevention: environmentally sensitive vegetation management.	This bill would define environmentally sensitive vegetation management for the purposes of certain projects eligible for funding from the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024 (Proposition 4), as provided.	Senate Appropriations

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
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
SB 663	Allen, McNerney, and Perez	4/2/2025	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.	Senate Appropriations
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
INVESTOR OWNED UTILITIES /PUBLIC UTILITIES COMMISSION					
AB 99	Ta	1/8/2025	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.	Assembly Appropriations
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.	Assembly Utilities and Energy

2025-2026 LEGISLATION_ WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS_ AS OF 4/24/2025
AB 745	Irwin	4/22/2025	Electricity: clean energy transmission projects: utility infrastructure undergrounding: financing.	The bill aims to regulate the construction of new and existing electrical transmission projects in California.	Assembly Utilities and Energy
AB 825	Petrie-Norris	4/21/2025	Public Transmission Financing Act of 2025.	The bill aims to improve the assessment and analysis of energy costs for residential households in California. The Public Utilities Commission must develop a framework to track and analyze total annual energy costs, which will be submitted to the legislature.	Assembly Utilities and Energy
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".	Assembly Appropriations
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.	Assembly Appropriations
AB 1020	Schiavo	4/21/2025	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.	Assembly Appropriations
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

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
AB 1410	Garcia	4/7/2025	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.	Assembly 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 for an ember-resistant zone required within 5 feet of a structure (known as "Zone 0").	Assembly Appropriations
SB 57	Padilla	4/10/2025	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.	Senate Appropriations
SB 254	Becker	4/22/2025	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.	Senate Energy, Utilities, and Communications
SB 256	Perez	3/26/2025	Electricity: electrical infrastructure: wildfire mitigation: undergrounding: emergency operations.	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.	Senate Energy, Utilities, and Communications

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
SB 292	Cervantes	4/9/2025	Electricity: wildfire mitigation: deenergization events and undergrounding plans	This bill aims to improve wildfire mitigation in the electrical distribution system. It requires electrical corporations, local publicly owned electric utilities, and electrical cooperatives to work with persons with access and functional needs to develop a plan to support them during deenergization events.	Senate Energy, Utilities, and Communications
SB 330	Padilla	3/28/2025	Electrical transmission infrastructure: financing	The bill aims to establish pilot projects to develop, finance, or operate electrical transmission infrastructure.	Senate Energy, Utilities, and Communications
SB 332	Wahab	4/23/2025	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.	Senate Appropriations
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
SB 618	Reyes	3/26/2025	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 Energy, Utilities, and Communications
SB 797	Choi	4/9/2025	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 Energy, Utilities, and Communications

2025-2026 LEGISLATION. WILDFIRE & IOU/PUC RELATED BILLS					
BILL	AUTHOR	LATEST AMEND	SUBJECT	SUMMARY	STATUS. AS OF 4/24/2025
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



California Catastrophe Response Council Memorandum

May 1, 2025

Agenda Item 4: 2025 Budget Augmentation

Recommended Action: Approve Augmentation of the 2025 Wildfire Fund Administration Budget

Background

During its February 13, 2025, meeting, the California Catastrophe Response Council approved staff's recommended 2025 budget for the administration of the California Wildfire Fund (CWF) and directed staff to operate CWF operations within the total approved budget amounts. Staff informed the Council that the budget was created *prior* to the January 2025 Southern California Wildfires, and that a revised budget would be presented to the Council during the May 1, 2025 meeting, if necessary.

Accordingly, during the May 1, 2025, meeting, CEA staff will present a revised CWF 2025 budget for the Council's consideration, which include augmentations to support the Wildfire Fund Durability Initiatives and additional legal costs related to the Administrator's on-going work on a plan for winding up the Fund when the Administrator determines the Fund will be exhausted within the next three years. The revised budget also includes information related to additional claims payments anticipated as a result of the formal notice from PG&E that it would submit claims arising from the 2019 Kincade Fire. In aggregate, the reasonable and necessary augmentation of the 2025 budget and the updated anticipated claim payments is approximately \$39 million, the majority of which arises from anticipated payments on PG&E claims from the Kincade fire, all as described in detail in the revised budget (Attachment A).

Recommendation

Staff recommend the following Council actions:

- Approve the revised 2025 CWF budget; and



- Direct staff to operate CWF's business operations activities within the total revised budget amounts.

**California Wildfire Fund
2025 Budget Revision
As of March 31, 2025**

	A	B	C = A + B	D	E = D/C
	Approved 2025 Budget	Adjustments ^A	Adjusted 2025 Budget	Actual Amounts Q1 2025	Percentage Used of Adjusted 2025 Budget
Additions to fund assets:					
Rate payer monthly NBCs, net	\$ 920,615,301 *	\$ -	\$ 920,615,301	\$ 207,865,472	22.6%
Utility annual contributions	300,000,000	-	300,000,000	-	0.0%
Investment income (net of expenses)	414,690,648	-	414,690,648	110,668,931	26.7%
Total additions to fund assets	\$ 1,635,305,949	\$ -	\$ 1,635,305,949	\$ 318,534,403	19.5%
Deductions to fund assets:					
Wildfire paid claims	\$ 611,469,400 **	\$ 34,256,643	\$ 645,726,043	\$ 181,225,400	28.1%
<i>Personnel expenses:</i>					
Personnel expenses - allocated from CEA	438,625	424,375	863,000	215,607	25.0%
<i>General and administrative expenses:</i>					
Wildfire Fund Durability Initiatives	-	4,537,175	4,537,175	599,970	13.2%
Other contracted services	1,040,000	-	1,040,000	206,799	19.9%
Direct legal services-general	47,500	80,000	127,500	79,687	62.5%
Financial services consulting	306,940	-	306,940	73,500	23.9%
Bank fees	299,763	-	299,763	68,871	23.0%
G&A expenses - allocated from CEA	630,614	-	630,614	159,650	25.3%
Travel	16,500	-	16,500	-	0.0%
Software and licenses	900	-	900	-	0.0%
Direct IT services	1,000	-	1,000	-	0.0%
Audit Fees	4,000	-	4,000	-	0.0%
Printing & stationary	500	-	500	-	0.0%
Governing board meeting expenses	3,750	-	3,750	500	13.3%
<i>Total general and administrative expenses</i>	<i>2,351,467</i>	<i>4,617,175</i>	<i>6,968,642</i>	<i>1,188,977</i>	<i>2</i>
Total deductions to fund assets	\$ 614,259,492	\$ 39,298,193	\$ 653,557,685	\$ 182,629,984	27.9%
<i>Change in unrealized gain/(loss)</i>	<i>- ***</i>	<i>-</i>	<i>-</i>	<i>196,638,191</i>	<i>NM</i>
Increase/(decrease) in net position	\$ 1,021,046,457	\$ (39,298,193)	\$ 981,748,264	\$ 332,542,610	33.9%

^A Adjustments to revise 2025 CWF end of year projections.

* _ Budgeted NBC funds to be received by CWF in 2025 are net of \$5.4mm of DWR administrative and operating expenses.

** _ Based on PG&E reporting, CEA reserved a total loss amount of \$925mm related to the Dixie Fire and \$90mm related to the Kincaid Fire. Dependent on CEA internal analysis and discussions with PG&E, CEA has revised the total amount of paid claims in 2025.

*** _ The change in unrealized gain/(loss) is not budgeted for CWF



California Catastrophe Response Council Memorandum

May 1, 2025

Agenda Item 5: Claims Administration Update

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 four major fires—the October 2019 Kincade Fire, September 2020 Zogg Fire, July 2021 Dixie Fire, and September 2022 Mosquito Fire. PG&E's 10-Q report to the SEC for the quarterly period ending December 31, 2024, reports aggregate liabilities of \$1.225 billion, \$400 million, \$1.925 billion and \$100 million for the 2019 Kincade Fire, 2020 Zogg Fire, 2021 Dixie Fire and 2022 Mosquito Fire, respectively. Of these, PG&E has recorded a potential



recovery of \$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 2024.

On January 16, 2025, PG&E sent notification to the 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*. 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 \$1.225 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.

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 through December 2024, 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
Total	\$349,904,107

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

May 1, 2025

Agenda Item 6: Financial Report

Recommended Action: No action required – information only

Mr. Hanzel will provide the California Catastrophe Response Council with a financial report on the Wildfire Fund as of March 31, 2025, and 2024.



FINANCIAL REPORT

March 31, 2025

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Financial Statements

**California Wildfire Fund
Balance Sheets**

UNAUDITED

	March 31, 2025	March 31, 2024
Assets		
Cash and investments:		
Cash and cash equivalents	\$ 4,704,860,933	\$ 49,624,892
Investments	<u>8,500,086,614</u>	<u>11,567,214,456</u>
Total cash and investments	13,204,947,547	11,616,839,348
Interest receivable	48,363,447	63,170,496
Securities receivable	<u>-</u>	<u>43,849,998</u>
Total assets	\$ 13,253,310,994	\$ 11,723,859,842
Liabilities and Net Position		
Loss and loss adjustment expense reserves	\$ 665,095,894	\$ 600,000,000
Securities payable	46,679,061	15,101,405
Accounts payable and accrued expenses	2,267,080	1,292,366
Related party payable - CEA	<u>375,258</u>	<u>227,838</u>
Total liabilities	<u>714,417,293</u>	<u>616,621,609</u>
Net position:		
Restricted for CWF	<u>12,538,893,701</u>	<u>11,107,238,233</u>
Total net position	<u>12,538,893,701</u>	<u>11,107,238,233</u>
Total liabilities and net position	<u><u>\$ 13,253,310,994</u></u>	<u><u>\$ 11,723,859,842</u></u>

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

UNAUDITED

	Three Months Ended	
	March 31, 2025	March 31, 2024
Additions to fund assets:		
Rate payer monthly NBCs	\$ 207,865,472	\$ 205,518,459
Total contributions	207,865,472	205,518,459
Investment income & expenses	110,668,931	75,786,238
Change in unrealized gain/(loss)	196,638,191	(77,527,034)
Net investment income	307,307,122	(1,740,796)
Total additions to fund assets	515,172,594	203,777,663
Deductions to fund assets:		
Losses and loss adjustment expenses	140,000,000	-
General and administrative expenses	1,188,977	425,258
Personnel expenses	215,607	92,686
Total deductions to fund assets	141,404,584	517,944
Increase/(decrease) in net position	373,768,010	203,259,719
Net position, beginning of year	12,165,125,691	10,903,978,514
Net position, end of year	\$ 12,538,893,701	\$ 11,107,238,233

California Wildfire Fund
 Cost Allocation Methodology and Calculation for the Year Ended December 31, 2024 and 2023
 3/31/2025

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 Three Months Ended March 31, 2025 and 2024.

Department	Three Months Ended March'25		Three Months Ended March'24		CWF Salary & Benefit costs =	March'25	March'24
	Hours	Salaries & Benefits	Hours	Salaries & Benefits		CEA Salary & Benefit costs =	
1. Comms	277.0	23,791	42.8	3,611		192,979 A	87,619
2. Exec	346.1	39,602	29.8	8,670		6,333,504 B	6,609,019
3. Finance	311.0	57,153	289.3	33,732		6,526,483 C	6,696,638
4. IT	-	-	-	-			
5. Internal Ops	25.0	2,577	63.3	5,864	Allocation % =	2.96% = A/C	1.31%
6. Insurance Ops	52.5	11,313	51.3	10,366			
7. Legal	216.6	58,543	245.5	25,376			
Total Direct Hours/Costs	1,228.2	192,979	721.8	87,619			

All other indirect costs were allocated to the CWF based on the 2.96% and 1.31% allocations noted above. The following indirect expenses were charged to the CWF:

Account Name	Acct #	Amount	Amount
Rent-Office and Parking	86400-16	274	4,078
Rent-Office Equip/Furniture	86450-16	120	54
Building Maintenance and Repairs	86475-16	41	8
Furniture/Equipment <\$5000	86500-16	263	-
EDP Hardware <5000	86505-16	1,946	1,302
EDP Software <5000	86506-16	16,780	8,381
Office Supplies	86510-16	206	63
Postage	86530-16	14	-
HR and IT staff allocation	85101-16	22,628	5,067
GASB 68 Pension Expense	85141-16	-	-
Telecommunications	86550-16	2,138	1,177
Insurance Expense	86600-16	5,109	2,313
Other Administration Services	88175-16	101	47
Direct Investment Technology Support	89805-16	132,658	117,499
Total Indirect Costs		182,278	139,989
Total Costs		375,257	227,608

Contributions & NBCs Received

**California Wildfire Fund
Contributions & NBCs Received
As of March 31, 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
6. 2025 NBC funds received	3-months of 2025	207,865,472 **
Total SMIF Loan Activity & NBCs Received		3,977,299,941
Total Funds Received & Reimbursed		<u>\$ 13,277,299,941</u>

* _ 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 occurring 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 two months of fiscal year 2025, the DWR incurred \$553K 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
 3/31/2025**

March 31, 2025

The CWF's 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".

CWF Investment Portfolio as of March 31, 2025				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 8,628	65.3%	AA+	1.67
U.S. Agency & Supranational	918	7.0%	AA+	2.01
Corporates	3,300	25.0%	A+	3.32
U.S. TSY MMF & Cash	359	2.7%	AAA	0.00
Total	\$ 13,205	100.0%	AA	2.07

March 31, 2024

The CWF's total portfolio market value for March 2024 was \$11.62 billion with an average duration of 3.43 years and average credit ratings of "AA".

CWF Investment Portfolio as of March 31, 2024				
Sector	Value (\$MM)	% of Portfolio	Avg Credit Rating	Duration (Yrs)
U.S. Treasury	\$ 6,509	56.0%	AA+	3.11
U.S. Agency & Supranational	1,176	10.1%	AA+	2.93
Corporates	3,884	33.4%	A+	4.18
U.S. TSY MMF & Cash	48	0.5%	AAA	0.00
Total	\$ 11,617	100.0%	AA	3.43

CWF Maturity Distribution: March 31, 2025



CWF Maturity Distribution: March 31, 2024



**California Wildfire Fund
CWF Portfolio 12-Month History
3/31/2025**

CWF Investment Portfolio Overview													
	Mar'24	Apr'24	May'24	June'24	July'24	Aug'24	Sept'24	Oct'24	Nov'24	Dec'24	Jan'25	Feb'25	Mar'25
Total Portfolio													
Market Value - Cash & Investments (\$MM)	\$11,617	\$11,584	\$11,791	\$11,866	\$12,199	\$12,307	\$12,597	\$12,497	\$12,550	\$12,858	\$12,835	\$12,742	\$13,205
Investment income (\$MM) *	26.73	26.72	27.72	27.14	27.73	27.51	27.23	27.88	29.12	30.72	32.07	30.90	48.85
Change in unrealized gain/(loss) (\$MM)	43.02	(159.02)	96.83	65.89	187.32	105.18	100.49	(230.33)	51.25	(114.58)	41.77	148.61	6.26
Investment management fees and bank fees (\$MM)	0.37	0.36	0.38	0.37	0.38	0.39	0.41	0.41	0.41	0.39	0.39	0.38	0.39
fees as a % of average AUM	0.0032%	0.0031%	0.0033%	0.0032%	0.0033%	0.0032%	0.0033%	0.0033%	0.0033%	0.0032%	0.0030%	0.0030%	0.0030%
Income return gross of fees	2.77%	2.74%	2.85%	2.76%	2.77%	2.69%	2.62%	2.67%	2.79%	2.88%	3.00%	2.90%	4.52%
Income return net of fees	2.73%	2.71%	2.81%	2.72%	2.73%	2.66%	2.59%	2.63%	2.75%	2.84%	2.96%	2.86%	4.48%
Yield to Maturity	4.71%	5.08%	4.89%	4.76%	4.44%	4.08%	3.93%	4.39%	4.31%	4.56%	4.43%	4.09%	4.07%
Duration (Yrs)	3.43	3.37	3.45	3.56	3.59	3.62	3.7	3.69	3.71	3.69	3.68	3.21	2.07
Portfolio Composition (%)													
TSY / AGY	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	65%	64%	72%
Corporates	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%	25%
Cash / MMF	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%	3%	3%

* - 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)

