



As approved by the CA Catastrophe Response Council at its meeting on Thursday, July 22, 2021

California Catastrophe Response Council Meeting Minutes

Teleconference Meeting

April 22, 2021

2:00 p.m.

Members of Council in Attendance:

Mark Ghilarducci, Chair, designee of Governor Gavin Newsom
Richard Gordon, Vice-Chair, appointee of Speaker of the Assembly
Michael Martinez, designee of Insurance Commissioner Ricardo Lara
Kasey O'Connor, designee of State Treasurer Fiona Ma
Bryan Cash, designee of Secretary of Natural Resources Wade Crowfoot*
Michael Wara for Senate Rules Committee Chairman*
Rhoda Rossman, Public Member
Catherine Barna, Public Member
Paul Rosenstiel, Public Member

* Member joined at 2:05 p.m., after roll call and establishment of quorum, but prior to action on any Agenda Item.

Members of CEA Staff in Attendance:

Glenn Pomeroy, Chief Executive Officer
Shawna Ackerman, Chief Risk & Actuarial Officer
Dr. Laurie Johnson, Chief Catastrophe Response & Resiliency Officer
Tom Hanzel, Chief Financial Officer
Tom Welsh, General Counsel
Jim Lombard, Chief Administrative Officer
Susan Johnson, Governance Liaison

Speaker: Jessica Morse, Deputy Secretary-Forest Resources Management, California Natural Resources Agency



1. **Quorum: Call to Order and Member Roll Call**

Chairman Ghilarducci called the meeting, held via Zoom, to order at 2:02 p.m.

Susan Johnson called the roll and stated that a quorum was present.

2. **MINUTES: Review and approve minutes of the January 28, 2021 meeting of the Council.**

MOTION: Chairman Ghilarducci motioned to approve the January 28, 2021 meeting minutes as written. The motion carried unanimously.

EXECUTIVE REPORT: CEA CEO Glenn Pomeroy provided the Council with an executive report.

Mr. Pomeroy reported that the Council and the Wildfire Fund are wrapping up the final quarter of their second full year of existence and he thanked the Council members for their service. He also noted that CEA staff has leveraged its resources to support the Council and the Wildfire Fund. Specifically, that CEA as Wildfire Administrator has built up and enhanced the Wildfire Fund's claims process; validated the Wildfire Fund's federal tax-exempt status; and managed the transfer of funds paid by the Investor-Owned Utilities into the Wildfire Fund, which, in turn, has helped to provide financial stability for the Investor-Owned Utilities.

Mr. Pomeroy remarked that over the past two wildfire seasons, no claim has been made on the Wildfire Fund, and noted the state has made an impressive investment into California fire risk in general.

3. **WILDFIRE MITIGATION: Informational presentation on Wildfire Mitigation and California's Wildfire and Forest Resilience Action Plan by CEA Chief Administrative Officer Jim Lombard and California Natural Resources Agency Deputy Secretary for Forest Resources Management, Jessica Morse .**

Prior to introducing Deputy Secretary Morse, Mr. Lombard affirmed CEA's commitment in keeping the Council current on wildfire prevention and forest restoration activities in California.

Deputy Secretary Morse's presentation focused on California's Wildfire and Forest Resilience Action Plan. She said 5 of the 6 largest wildfires in state history occurred in 2020 and those wildfires burned 4.2 million acres, killed 169 million trees, and displaced 250,000 people. She noted that California needs to become more ecologically resilient and that climate change is "colliding with the state's overly dense forests."



Deputy Secretary Morse expressed hope for the future based on the state’s plan to promote resilience by creating stronger ecosystems. To that end, she said, the Natural Resources Agency is investing in fire resilience on three fronts:

- Activities inside a community to ensure that they can withstand a fire.
- Activities around a community to be able to arrest a fire and create evacuation routes in the wildland-urban interface.
- Activities across the landscape to restore watersheds and ecosystems among different types of ecozones so they once again become fire-resilient and return fire to its normal ecological boundaries.

She said the Governor’s budget invests in all three of these activities. She further stated that the Natural Resources Agency is supporting a low interest loan program for small businesses to invest in resiliency. All of the Agency’s efforts are “ecologically thoughtful with a goal to deliver fire safety and fire resiliency today and for generations to come,” she concluded.

Questions and Discussion

Council member Rosenstiel asked Deputy Secretary Morse if the three Investor-Owned Utilities are involved in the Agency’s efforts. Deputy Secretary Morse replied that the Investor-Owned Utilities are doing their own vegetation management. Additional discussions included alternative funding sources for these mitigation and resiliency initiatives.

4. ANNUAL ADMINISTRATOR EVALUATION: Council Members Paul Rosenstiel and Catherine Barna presentation on the Annual Administrator Evaluation.

Council Members Barna and Rosenstiel presented the results of the Council’s first annual evaluation of CEA’s performance as Administrator of the Wildfire Fund. Each Council member completed a performance questionnaire, which covered eight accountability areas plus an overall assessment.



The eight accountability areas and aggregated numerical results (based on the indicated Rating Scale) are as shown on the table below:

Leadership and Culture	4.6
Financial Leadership	4.3
Strategic Development	4.4
Council relations	4.6
Council Governance and Compliance	4.7
Claims Administration	4.3
Enterprise Risk Management	4.3
Stakeholder Engagement	4.4
Overall Evaluation	4.4

Rating Scale	
5	– Exceeds Expectations
4	– Meets All Expectations
3	– Meets Most Expectations
2	– Meets Some Expectations
1	– Does Not Meet Expectations

Council member Rosenstiel said all Council members had input into the evaluation and “we came to the very strong conclusion that the Administrator is doing a very good job.” Added Council member Rossman, “the CEA staff has earned our confidence and trust.”

5. FINANCIAL REPORT: CEA Chief Financial Officer Tom Hanzel’s Financial Report on the Wildfire Fund.

Mr. Hanzel provided a financial report on the Wildfire Fund as of February 28, 2021. He reported on the Wildfire Fund’s overall balance sheet; and discussed the statement of revenues and expenses for the Fund and the Fund’s net asset position as shown on the financial statements distributed to the Council members in the meeting materials.

Mr. Hanzel also reported on the Fund’s revised investment policy, which took effect in June 2020. He said the revised investment policy has allowed the Wildfire Fund to increase its investment returns by taking advantage of credit diversity and composition, along with an increased investment duration, while still meeting its goal of preserving principal and liquidity. Since the revision, Mr. Hanzel stated, that the Wildfire Fund’s investment managers have allocated approximately 32% of assets to corporate bonds; and 10% to government agency debt, with the balance invested in federal treasuries and similarly secure instruments of various durations. Since implementing the revised investment guidelines, the Wildfire Fund’s investment managers have increased duration from approximately 2.2 years to 4 years through investments in longer-maturity bonds.



Mr. Hanzel also reported to the Council that the California Department of Water Resources (DWR) has presented its updated budget to manage and administer the Charge Fund that holds the ratepayer Non-Bypassable Charges (NBCs.) The DWR's action resulted in a material reduction from the \$12 million ongoing budget reported at the January 2021 Council meeting.

6. CLAIMS ADMINISTRATION: Dr. Laurie Johnson, CEA's Chief Catastrophe Response & Resiliency Officer, update on preparation of Procedures for Wildfire Claim Administration.

Dr. Johnson stated that her team is building out all aspects of the Wildfire Fund's claims administration process, which includes the development of a process-focused review of IOU claims settlements, and claims auditing processes. Work on the full draft claim procedures will include outreach to a variety of stakeholders, including utility ratepayer advocacy groups, the insurance industry, among others. Dr. Johnson also indicated that her team was developing a proposal process for securing the services of a third-party administrator to assist in handling claims after a Covered Wildfire.

The final draft Claim Procedures will be presented at the July 22, 2021 Council meeting for final review, discussion, and approval.

There were no questions from Council members.

7. ERM FRAMEWORK: Chief Risk & Actuarial Officer Shawna Ackerman's overview of CEA's current Enterprise Risk Management (ERM) program and incorporation the California Wildfire Fund into the existing ERM framework.

Ms. Ackerman reported on the continuing efforts of the CEA Enterprise Risk Management team to incorporate the Wildfire Fund into the existing CEA ERM framework. Ms. Ackerman stated that the CEA's earthquake insurance business and the Wildfire Fund administration face similar priority and emerging operational risks. In short, the elements of most of CEA's ERM framework are applicable to managing risks related to administration of the Wildfire Fund, although some changes and updates to the framework are underway. She stated that a Wildfire Fund Enterprise Risk Management Committee will operate in a similar fashion as the Enterprise Risk Management Committee for the CEA.

Chairman Ghilarducci thanked Ms. Ackerman and her team for their efforts.



8. IOU Insurance Evaluation Process: CEA General Counsel Tom Welsh’s update on the development of a framework for CEA’s periodic review, pursuant to Public Utility Code § 3293, of the wildfire insurance programs of the participating IOUs.

Mr. Welsh reported that his team has engaged Scidan Consulting, an energy sector consulting firm, to assist CEA in the development of a framework for the Administrator’s periodic review of the IOU’s wildfire insurance programs, a review that is required under Public Utilities Code section 3293 to permit the Administrator to make recommendations to each IOU regarding their wildfire insurance programs. Such recommendations have the potential to increase the amount of an IOU’s retention (the amount of claims the IOU must pay before seeking reimbursement from the Wildfire Fund).

Mr. Welsh further explained that the framework will evaluate developments after the 2019 enactment of AB 1054, and that because there have not yet been claims on the Wildfire Fund, and because no other material changes have emerged since July 2019, the IOUs will be informed that there will be no changes to the IOUs’ \$1 billion loss retention for the upcoming 2021-2022 wildfire season.

Council member Rosenstiel asked that the framework take into consideration the financial stability of the Investor-Owned Utilities, which will be to the ultimate benefit of utility ratepayers.

9. TAX STATUS: Mr. Welsh’s Report on the Federal tax status of the Wildfire Fund.

Mr. Welsh reported that the CEA legal department sought independent legal opinions on whether the revenue and income of the Wildfire Fund are exempt from federal taxation. As a result of those independent legal opinions, the Wildfire Fund’s revenue and income will be treated as exempt from federal taxation, given the fact that the Wildfire Fund clearly fits within the IRS’ “integral part” doctrine, which allows entities that are integral parts of a state to collect revenue free of federal income taxation.

There were no questions or public comment and the Council members thanked Mr. Welsh and his legal team for their efforts.

10. PUBLIC COMMENT: Public comment opportunity on matters that do not appear on the agenda and requests by the public that those matters be placed on a future agenda.

There was no request for public comment.

11. Adjournment.

There being no further business, Chairman Ghilarducci adjourned the meeting at 3:37 p.m.