Assembly Bill 1054 Wildfire Fund Mechanics[1]

IOUs contribute $10.5 B
- PG&E: $4.8 B initial + $193 M annually for 10 years (conditional on exiting bankruptcy by June 30, 2020)
- SCE: $2.4 B initial + $95 M annually for 10 years
- SDG&E: $0.3 B initial + $13 M annually for 10 years

Customers contribute non-bypassable charge
- $0.9 B per year charge for 15 years ($0.5 B w/o PG&E)
- California Department of Water Resources (DWR) can issue ≤$10.5 B of bonds to reimburse state for initial $2 B contribution and to capitalize fund

Wildfire Fund
- "Covered Wildfire" means any wildfire ignited on or after July 12, 2019, caused by an electrical corporation as determined by the governmental agency responsible for determining causation, in excess of annual utility retention (expected to be ~$1 B)
- Size of fund if all 3 IOUs contribute equal to $21.0-24.0 B[2]; if only SCE & SDG&E contribute fund is $9.6-11.2 B[2]
- Funds invested / managed by administrator selected by California Catastrophe Response Council
- Fund reimbursed if imprudent (see below right), but does not have a separate replenishment mechanism

Fund payment of "eligible claims"[3]
- Pay out claims to claimants on a first come, first served basis subject to fund administrator approval
- Subrogation claims settled at ≤40% approved unless exceptional facts and circumstances; higher amounts may be approved by fund administrator

CPUC prudency determination of operations (serious doubt standard)

If found imprudent, IOU reimburses Wildfire Fund up to 3-year rolling cap
- Liability cap of 20% of T&D Equity Rate Base (~$2.5 B for SCE as of 2019) unless found to have acted with conscious or willful disregard
- Valid safety certification is required
- Liability cap lapses when fund is exhausted

If found prudent, IOU does not reimburse Wildfire Fund
- Valid safety certification is required

1. This summary is based on Edison International's interpretation of Assembly Bill 1054
2. Range based on whether customer charge finances DWR bonds or is contributed directly to Wildfire Fund
3. "Eligible claims" means claims for third-party damages from covered wildfires less annual utility retention (larger of $1.0 B or required insurance layer per fund administrator). See "Payment of Claims" on page 3 for more information

Assembly Bill 1054 Additional Information

Safety Oversight and Certification

- Creates Wildfire Safety Division[1] to provide additional wildfire safety oversight
- Initial safety certification[2] issued by CPUC Executive Director within 30 days of IOU request requires: 1) an approved wildfire mitigation plan; 2) utility to be in good safety standing; 3) established board safety committee with relevant safety experience; and 4) board-level reporting to the CPUC on safety issues
- Subsequent annual safety certifications issued by Wildfire Safety Division[1] also require: 5) approved executive compensation structure that promotes safety, ensures public safety and utility financial stability; 6) compensation limits on executive officer contracts; and 7) implementation of, and reporting to the CPUC on wildfire mitigation plans, safety culture assessments and board safety committee recommendations

Cost Recovery Standard

- Provided a utility is “safety certified”, establishes a FERC-like prudence standard to guide recovery of costs arising from catastrophic wildfires occurring after bill enactment
- Prudence is based on reasonable utility conduct with potential for full or partial recovery, considering factors within and beyond a utility’s control
- FERC-like standard assumes utility is prudent, unless intervenors create serious doubt, shifting burden to the utility to prove prudence
- Prudency standard will continue after fund exhaustion along with the ability to securitize if prudent

Customer Non-bypassable Charge

- CPUC issued a final decision (D. 19-10-056) authorizing the collection of $0.5 billion from SCE and SDG&E customers annually through 2035; additional $0.4 billion to be collected annually through 2035 from PG&E customers if PG&E participates in the fund
- Charge collected from customers of participating utilities can be used either to fund:
  - Direct contributions to the fund
  - Debt service on bonds issued by DWR, proceeds of which are to be contributed to the fund

1. Wildfire Safety Division created within CPUC until duties transferred to newly formed Office of Energy Infrastructure Safety on or after July 2021
2. SCE received its initial safety certification on July 25, 2019

Assembly Bill 1054 Additional Information (Cont.)

Payment of Claims

- The fund shall be administered by the administrator, subject to the direction of the California Catastrophe Response Council ("CCRC"), to provide funds to participating electrical corporations to satisfy eligible claims arising from a covered wildfire (California Earthquake Authority is currently the interim fund administrator)
- With the approval of the CCRC, the administrator shall establish and approve procedures for the review, approval, and timely funding of eligible claims
  - Procedures may include processes to facilitate and expedite review and approval of settled eligible claims, including guidelines for, or preapproval of, settlement levels
  - Funding of eligible claims shall occur within 45 days of administrator approval
  - Subrogation claims settled for less than or equal to 40 percent of asserted claim value shall be reimbursed unless administrator finds exceptional facts and circumstances
  - Subrogation claims settled for more than 40 percent of asserted claim value shall be approved if administrator finds that the utility exercised reasonable business judgement
  - To extent approved by the administrator, settlements shall not be subject to further review by the CPUC

Fund Reimbursement and Shareholder Liability Cap Mechanics

- If found prudent, there is no requirement to reimburse the fund for claims covered by fund
- If found imprudent or partially imprudent, utility shareholders are obligated to reimburse fund for the portion of the claims covered by the fund to the extent of the utility's imprudence, up to the liability cap
  - Shareholder reimbursement requirement capped if utility has valid safety certification and has not been found to have acted with conscious or willful disregard of the rights and safety of others
    - Cap covers trailing three-year period and limits reimbursement over the period to 20% of electric T&D equity rate base
    - The three-year period is measured as three consecutive calendar years ending on December 31 of the year in which the calculation is being performed
    - The administrator shall publish disallowed amounts and remaining reimbursement obligation under the cap on or before January 1 of each calendar year

Assembly Bill 1054 Additional Information (Cont.)

PG&E Participation & Fund Size

- PG&E may only participate if ongoing bankruptcy proceedings resolved by June 30, 2020
  - If PG&E participates and has claims before resolution of its bankruptcy, the fund shall not pay more than 40 percent of the allowed amount of a claim arising between July 12, 2019 and date it exits bankruptcy, with balance of claims being addressed through insolvency proceeding
- If PG&E does not participate in the Wildfire Fund, PG&E will not make the initial or annual shareholder contributions and the non-bypassable charge will not be collected from PG&E's customers
  - In that case, the aggregate contributions will be between \$9.6 B[1] and \$11.2 B[2]
  - Decreased fund size is matched by reduction in risk of fires in PG&E's service territory

Regional IOU / Municipal Participation

- Regional electrical corporations means an electrical corporation with less than 250,000 customer accounts within the state
  - No regional electrical corporations elected to participate in the fund by the election date
- Municipal electric utilities are not allowed to participate in the fund

1. If customer non-bypassable charge is financed by DWR
2. If customer non-bypassable charge is directly contributed to the fund as collected