

The California Wildfire Fund

SB 254 – Developing Options to Create a More Wildfire Resilient California

Wildfire Mitigation Advisory Committee
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The California Crisis

Pre-2017-18 Northern California Wildfires

- **Long CPUC Prudency Reviews** – The duration of CPUC Catastrophic Wildfire Proceedings – which determine whether a Utility Company will be allowed to recover wildfire costs through rates – was stretching out to nearly a decade after the wildfire ignition. *The length of this recovery process created significant investor uncertainty.*
- **Increased Risk** – Climate change has increased the risk of Catastrophic Wildfires throughout the State.
- **Capital Constraints** – Access to capital for Investor-Owned Utilities (IOUs) decreasing as a result.
- **Wildfire Insurance** – The market for insuring IOUs for their wildfire liability became *challenging and expensive.*

The Crisis - 2017-18 Northern California Wildfire Seasons

- Pacific Gas & Electric (PG&E) files for Chapter 11 Bankruptcy protection in January 2019.
- Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) under threat of downgrade to below investment-grade by rating agencies, driving up cost of capital and risking bankruptcy to address credit-based (non-monetary) defaults from rating downgrades.

The Solution – California Wildfire Fund (Assembly Bill (AB) 1054 – 2019)

Core Purpose: Enhance the financial stability of investor-owned utilities (IOUs) by providing funds to reimburse participating IOUs for “eligible claims” arising from “covered wildfires.”

- **Covered Wildfires:** Only wildfires ignited on or after July 12, 2019, determined by the responsible governmental agency or a court of competent jurisdiction to have been caused by a participating IOU.
- **Participating IOUs:** Pacific Gas & Electric (PG&E), San Diego Gas & Electric (SDG&E), and Southern California Edison (SCE).
- **Eligible Claims:** Third-party damage claims in excess of \$1 billion, per participating IOU, in the aggregate in a year (wildfire season).

Governance and Management:

- **California Catastrophe Response Council** (“Council”), created under AB 111, oversee the administration of the Fund.
- **California Earthquake Authority** (“CEA”) serves as the Administrator of the Fund under the oversight of the Council.

Claim-paying Capacity: Approximately \$21 Billion (with invested assets of >\$14 billion as of 12/31/25)

Ratepayers \$10.5 B

- Initial State Loan: \$2 B
- Annual Revenue Stream via Ratepayer Surcharge: \$902 M



Utilities \$10.5 B

- Initial Contribution: \$7.5 B
- Annual Contribution: \$300 M (\$3 B total)

Claims on the Wildfire Fund from Existing Covered Wildfires

Key wildfires and loss estimates that the Administrator continues to monitor:

Wildfire Ignition Date	Covered Wildfire Determination Date	Utility Claims Settlement Dates/Loss Estimates
<p>Mosquito Fire, 9/16/2022</p>	<p>Investigation ongoing</p>	<p>PG&E estimates losses in excess of \$100 million as of 03/31/2025⁽¹⁾</p>
<p>Dixie Fire, 7/13/2021</p>	<p>01/04/2022</p>	<p>PG&E estimates losses in excess of \$1.925 billion and recorded an aggregate Wildfire Fund receivable of \$925 million for probable recoveries as of 03/31/2025⁽¹⁾</p>
<p>Kincade Fire, 10/13/2019</p>	<p>07/16/2020</p>	<p>PG&E estimates losses in excess of \$1.275 billion as of 03/31/2025⁽¹⁾</p>
<p>Eaton Fire, 01/07/2025</p>	<p>09/15/2025*</p>	<p>Fire originated in Southern California Edison servicing territory. No loss estimates yet.</p>

Source: (1) U.S. Securities and Exchange Commission Q1 2025 PG&E Form 10-Q Quarterly Report

Potential Impacts of the January 2025 Southern California Fires on the Wildfire Fund

The January 2025 Southern California Wildfires – A Sea Changing Event

January wildfire catastrophe – particularly the Eaton Fire – was a crystallizing event that brings the purposes and benefits of the Wildfire Fund into stark focus:

- **Legislative Purposes of the Wildfire Fund**
 - Protect ratepayers from rate volatility from post-fire wildfire cost recovery;
 - Provide liquidity for IOUs to make prompt claim payments to wildfire survivors and facilitate community recovery;
 - Protect against IOU bankruptcies due to wildfire liabilities.
- **Benefits of the Wildfire Fund**
 - The Eaton Fire is now a Covered Wildfire for which Southern California Edison is liable. The Wildfire Fund will provide prompt reimbursement of eligible claims.
 - Stable utility company operations, unimpeded by operating during a bankruptcy proceeding.

Senate Bill (SB) 254: Key Aspects Related to the Wildfire Fund

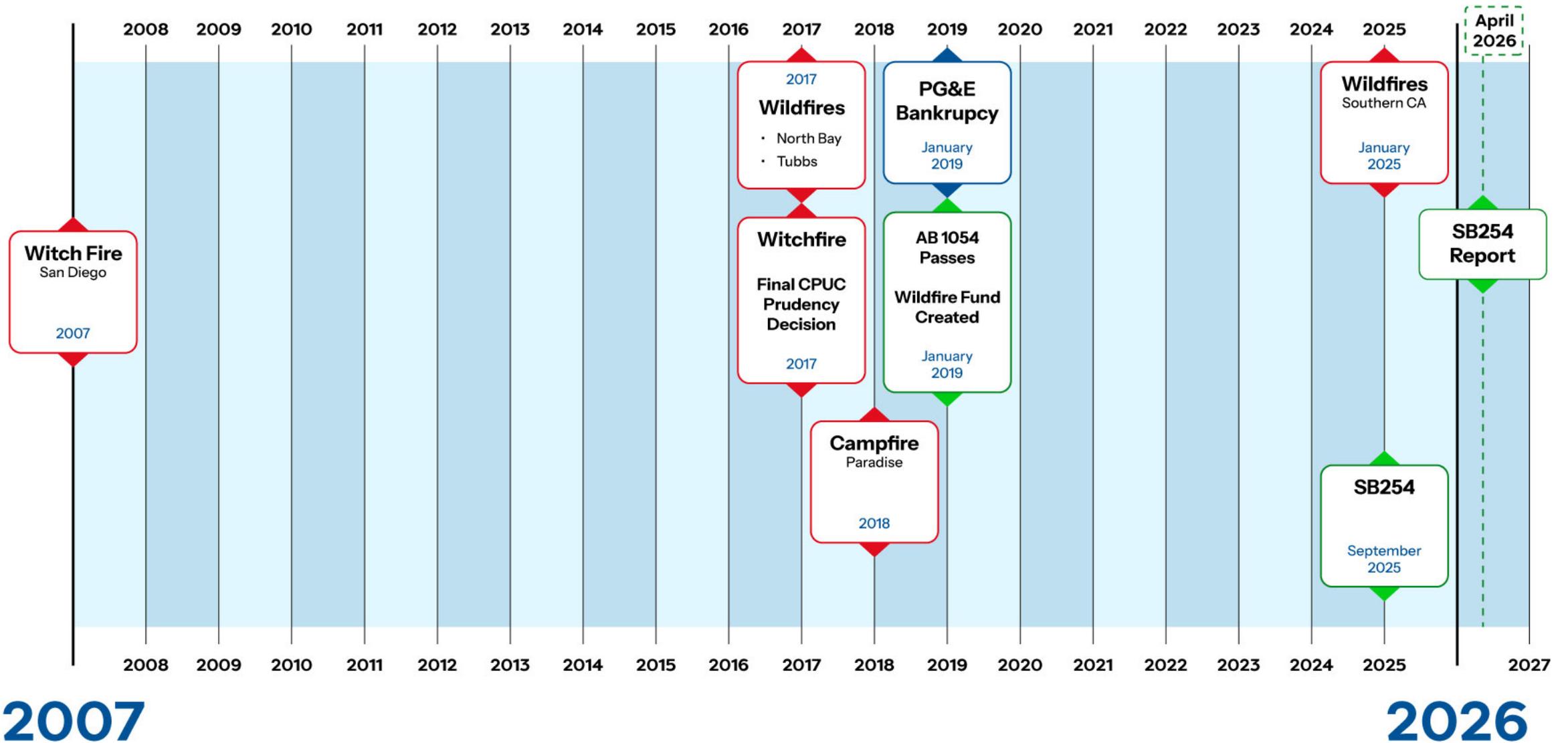
Establishes an interim framework to replenish the Wildfire Fund, if necessary

- Establishes a segregated **Continuation Account** within the Wildfire Fund for payment of eligible claims arising from wildfires ignited on or after September 19, 2025 (date of Gov. Newsom's signing)
 - Additional **~\$18 billion in claim-paying capacity** through nonbypassable **charges to ratepayers, from 2035 to 2045**, and proportionate contributions by participating utilities
 - Authorizes the California Department of Water Resources to issue bonds, up to \$10 billion in aggregate, to support the Account

Calls for a comprehensive assessment to analyze and develop longer-term solutions (the “Natural Catastrophe Resiliency Study”)

- Requires the CEA, as the Administrator of the Wildfire Fund, to prepare and submit a report to the Legislature and Governor **on or before April 1, 2026**, in consultation with key state agencies and departments and with feedback solicited from key stakeholders

SB 254 Natural Catastrophe Resiliency Study



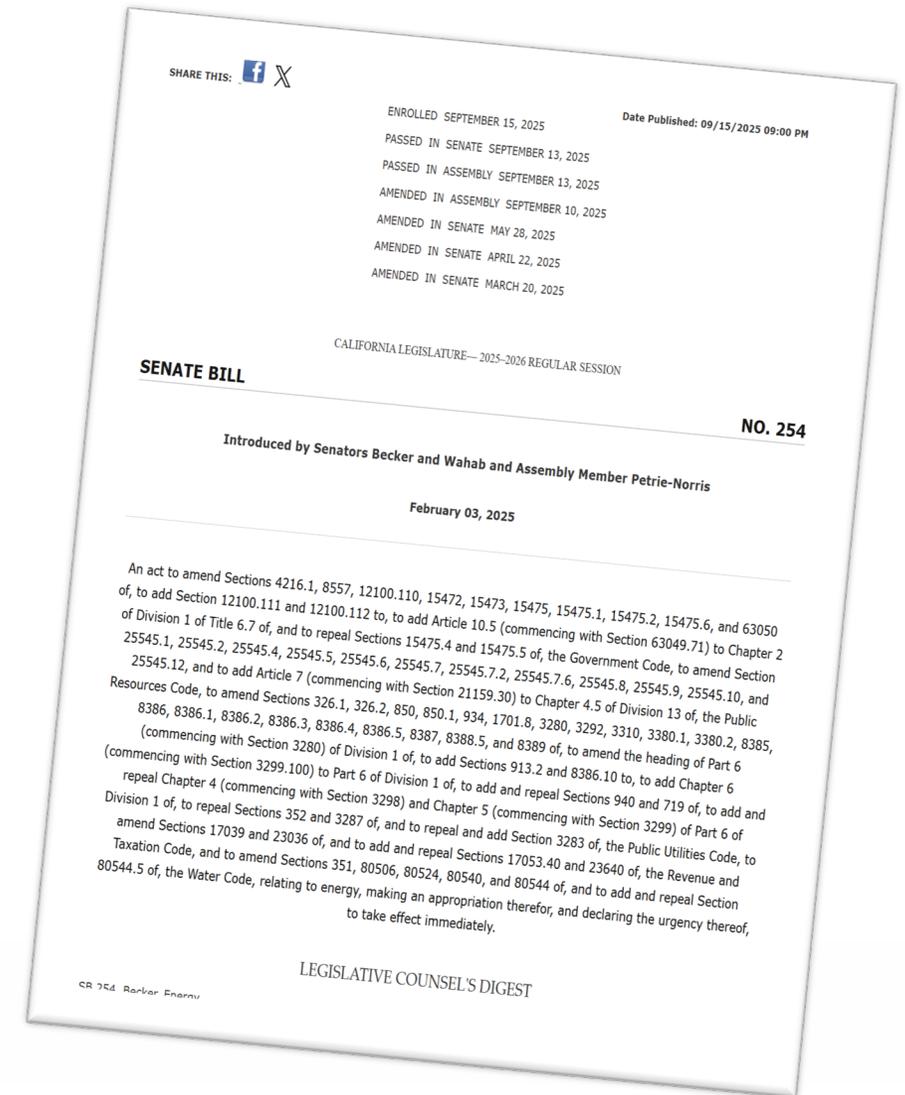
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Summary of the Study Scope

1. Accessibility and affordability of property insurance in CA.
2. Alternative structures to socialize risk of damage from natural catastrophes.
3. Additional wildfire mitigation measures and technology solutions to reduce risk.
4. Financing, insurance, and other mechanisms to expedite recovery for communities.
5. Additional measures to benefit ratepayers through reducing costs caused by fiscal uncertainty while holding electrical corporations accountable improving safety.
6. Options for a streamlined, low-cost mechanism to provide injured parties with full compensation for damages.
7. Impacts of reasonable limitations on changes to recoveries in wildfire litigation
8. Options for programs to reduce the risk of wildfires spreading.
9. Options for reducing economic damage resulting from natural catastrophes.
10. Options for new models to complement or replace the fund.

DUE APRIL 1, 2026

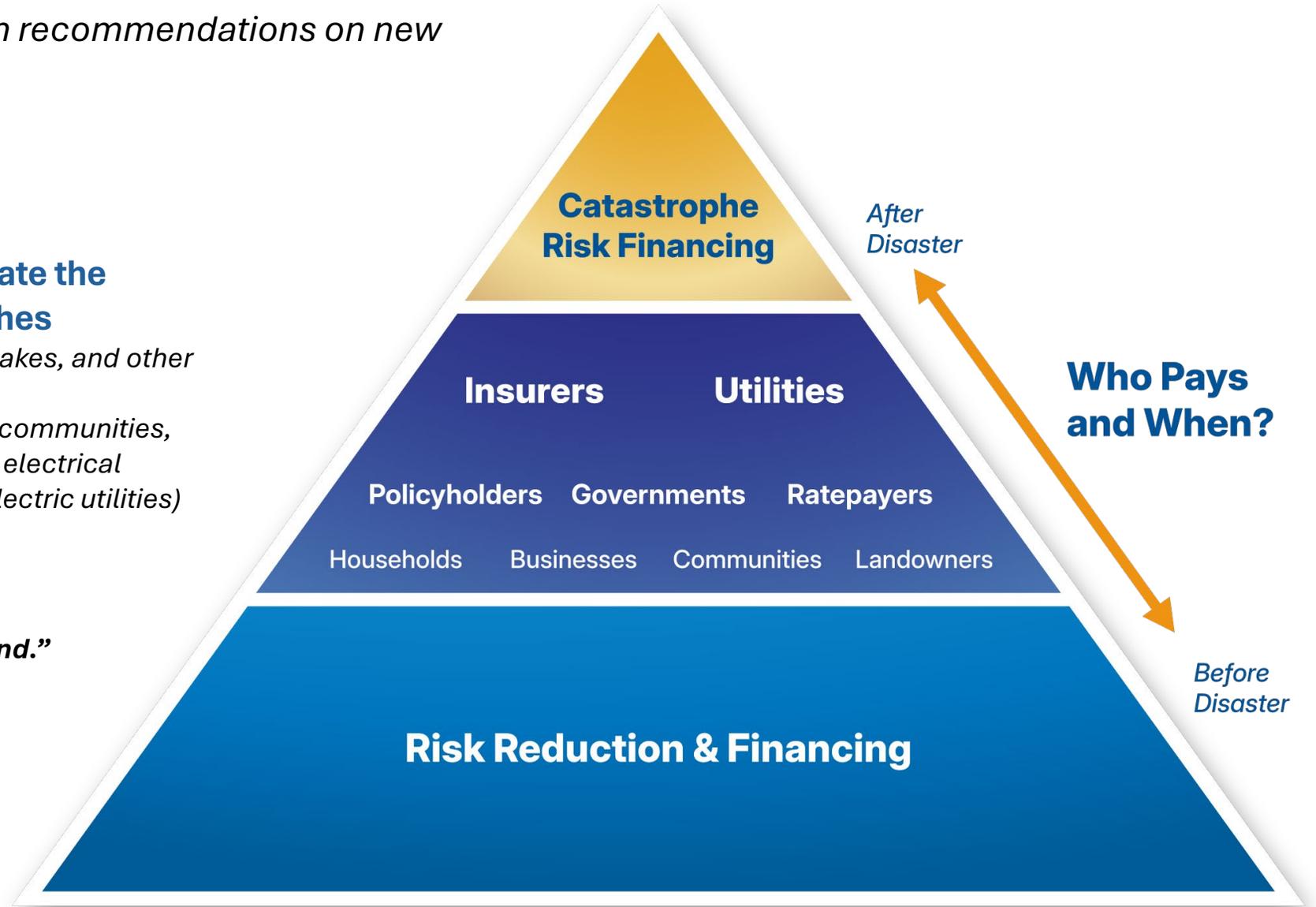


Overarching Considerations and Study Framework

“A report that evaluates and sets forth recommendations on new models or approaches that ...

- **Accelerate Recovery**
- **Responsibly and Equitably Allocate the Burdens from Natural Catastrophes**
(Including catastrophic wildfires, earthquakes, and other natural disasters)
(across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and local publicly owned electric utilities)
- **Mitigate Damage**

... to complement or replace the Wildfire Fund.”



Specific Directives for the Study

“A report that evaluates and sets forth recommendations on new models or approaches that mitigate damage, accelerate recovery, and responsibly and equitably allocate the burdens from natural catastrophes, including catastrophic wildfires, earthquakes, and other natural disasters, across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and local publicly owned electric utilities, to complement or replace the fund.”

Report preparation and submission to the Legislature, and to the Governor, on or before April 1, 2026

Responsible State Agencies/Departments

California Earthquake Authority, in its capacity as the Wildfire Fund Administrator, in consultation with:

- California Public Utilities Commission (CPUC)
- California Department of Insurance (CDI)
- California Department of Forestry and Fire Protection (CALFIRE)
- Office of Energy Infrastructure Safety (OEIS)
- California Governor’s Office of Emergency Services (Cal OES)

Specific Directives for the Study

“Report shall include specific recommendations (including, but not limited to) on all of the following...”

- 1. Accessibility and affordability of property insurance** in light of the accelerating costs of climate change-induced and other natural catastrophes.
- 2. Evaluation of alternative structure to social risk of damage from catastrophes**, that most efficiently and expeditiously compensates those harmed, while maintaining accessibility to property insurance and access to safe, affordable, reliable energy.
- 3. Additional mitigation measures and technology solutions** to reduce ignition risk, spread, and damage from wildfires.
- 4. Financing, insurance and other mechanisms to expedite recovery** for communities impacted by natural catastrophes and expedite compensation for property loss.
- 5. Additional measures to benefit ratepayers** through reducing costs caused by fiscal uncertainty while holding electrical corporations accountable for improving safety and reducing the risk of catastrophic wildfires.
- 6. Options for enactment of streamlined, low-cost mechanism** to provide injured parties full compensation **for wildfire damages.**
- 7. Analysis of potential benefits and negative impacts related to reasonable limitations on changes to recoveries in wildfire litigation** arising from ignitions caused by electrical and gas utility infrastructure, including restrictions on recovery of attorney’s fees, and limitations on economic/non-economic damages, including claims by insurers, public entity claims, claims outside fire perimeter, and aggregate limitation on liability per event.
- 8. Options for enactment of programs to reduce risk of wildfire spread/catastrophe**, including improved state and local catastrophic event response capability, home fire risk reduction standards, vegetation management practices and community wide wildfire hardening requirements.
- 9. Options for reducing economic damage from wildfires and potentially other catastrophic disasters**, including minimum insurance requirements, insurance rates that account for home hardening, special assessment to support infrastructure investments and emergency response, and land use planning.
- 10. Options for new models to complement or replace the Wildfire Fund**, such as state supported property re/insurance for wildfires and potential catastrophic natural disasters, a mutual wildfire insurance fund, a publicly supported financial safety net to enhance long-term resilience and utility and insurance rate affordability; and improvements to the Fund durability.

Stakeholder Engagement – A Statutory Mandate

SB 254 requires deep engagement across stakeholders, including insurers, communities, homeowners, landowners, governments, electrical corporations, and local publicly owned electric utilities

CEA implemented multiple engagement approaches with varied pathways and timing.

Open Call for Study Contributions, soliciting recommendations from a broad spectrum of stakeholders:

- Dec 12, 2025 – Call for submissions closed.
- **83 total** from ~ 69 unique individuals/organizations.

Interested Parties – 299 (online form, submissions and other people we have added) as of 2/2/26

- Periodic emails and study updates to be provided
- Informational webinars – Dec 10, 2025; Feb 6, 2026; Mar 6, 2026

The screenshot shows the website for the California Wildfire Fund's SB254 study. The page is titled "SB254 – NATURAL CATASTROPHE RESILIENCY STUDY". It features a "Background" section explaining the need for the study due to climate change. It also details "Senate Bill 254" and "Governor Newsom's Executive Order" which launched the study. A "Next Steps" section outlines the study's progress. The "Request for Stakeholder Contributions" section includes a link to a PDF form. The "Additional Resources" section contains a sign-up form for updates, with fields for first and last name, email, country email, affiliation, and interest area, and a "SUBMIT" button.

Submissions Analysis: Key Themes

Frequency of Key Themes Discussion in Submissions



**Mitigation was the most widely referenced topic.
Utility Liability Reform and Financial Solvency Was Most Controversial.**

Submissions Analysis: Areas of Consensus and Key Conflicts to Resolve

Areas of Consensus

- ✓ **Accelerate Mitigation:** California "cannot rate hike its way out of the climate crisis"; the only sustainable path is to reduce the physical risk of loss through aggressive mitigation.
- ✓ **Improve Data & Modeling:** Need a standardized way to track "risk bought down" per dollar invested and align what insurers see with what utilities and homeowners actually do.
- ✓ **Address Affordability & Equity:** Wildfire costs disproportionately burden low-income and vulnerable households through rising insurance premiums and electricity rates.

Key Areas of Disagreement

- ≠ **Inverse Condemnation:** Reformers view it as an unsustainable ratepayer burden; defenders argue it is vital to support victim recovery and incentivize utility safety.
- ≠ **Limitations on Damages and Attorneys' Fees:** Tension between limiting costs and supporting the Fund's claims-paying capacity, vs. ensuring victim access to representation and full compensation.
- ≠ **Role of Government and Cost Socialization:** Competing views on increased state role in e.g., reinsurance, greater cost socialization; vs. private market mechanisms and utility/ratepayer funding.

Key Themes Emerging From the Study – Risk Reduction and Financing

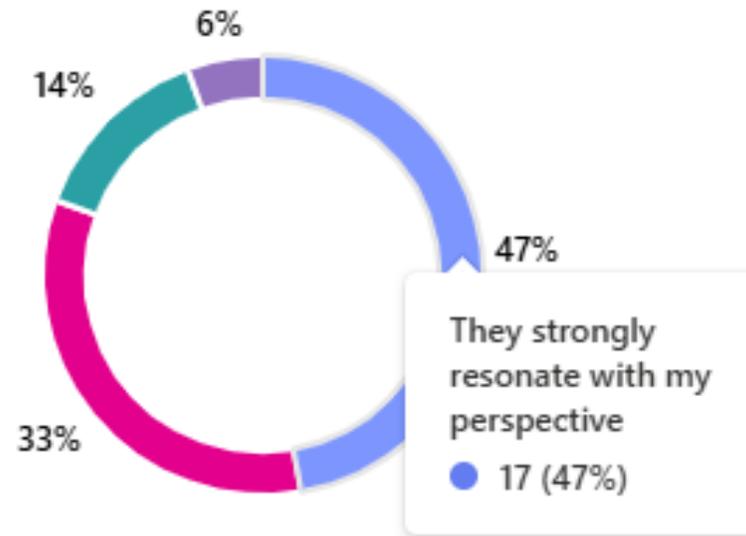
- **“Mitigations that Matter” We need public & private alignment on a minimum core set of evidence-based mitigations to remove confusion and enable implementation at scale.** Mitigation science and performance will evolve, but we know enough to start implementing them effectively within the specific context of the local community.
- **A foundation of tools, data sets, and analytical research infrastructure are needed to accelerate confidence in WUI community mitigation efficacy, investment, and maintenance.** Linking this to the significant risk analytic investments by the IOU’s will establish our understanding of baseline risk and start the data pool for reducing risk through integrated mitigation.
- **To enable sustained community risk reduction at scale, we need integrated program investment in mitigation, education, capacity, and workforce development, and must transition from isolated sporadic project surges.**
- **Governance for statewide risk reduction should consolidate funding, research, and policy outcomes while supporting maximum flexibility for implementation that is based on the local community risk context.**

Risk Reduction & Financing Key Themes – Did these 4 themes resonate?

- “Mitigations that Matter”
- Foundation of tools, data sets, and analytical research infrastructure
- Sustained community risk reduction at scale, through integrated program investment.
- Governance – Statewide leadership supporting maximum flexibility for locally controlled implementation.

To what extent do the Risk Reduction & Finance themes resonate with you/your organization and your understanding of the issue area?

- They strongly resonate with my perspective 17
- They somewhat resonate with my perspective 12
- They reflect some, but not all, of my priorities 5
- They do not reflect my perspective 2



We have an explicit legislatively mandated deadline of **April 1, 2026**, but we are committed to robust engagement and input into the study. We aim to provide the Legislature and the Governor with options that are:

- Actionable
- Viable
- Durable

- **Visit our website to review submissions or sign up to receive updates**
<https://www.cawildfirefund.com/sb-254-natural-catastrophe-resilience-study>
- **Questions**
Email: SB254Questions@calquake.com

