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December 21, 2023

VIA ELECTRONIC FILING

Utah Public Service Commission
Heber M. Wells Building, 4th Floor
160 East 300 South
Salt Lake City, UT 84114

Attention: Gary Widerburg
Commission Administrator

RE: Docket No. 23-035-40
Application of Rocky Mountain Power for a Deferred Accounting Order Regarding Insurance Costs

In accordance with the Scheduling Order and Notice of Hearing issued by the Public Service Commission of Utah on September 13, 2023, Rocky Mountain Power, a division of PacifiCorp ("Rocky Mountain Power" or the "Company"), submits its rebuttal testimony in the above reference matter.

Informal inquiries may be directed to Jana Saba at (801) 220-2823.

Sincerely,

A handwritten signature in blue ink that reads "Joelle Steward".

Joelle Steward
Senior Vice President, Regulation and Customer/Community Solutions

Cc: 23-035-40 service list

CERTIFICATE OF SERVICE

Docket No. 23-035-40

I hereby certify that on December 21, 2023, a true and correct copy of the foregoing was served by electronic mail to the following:

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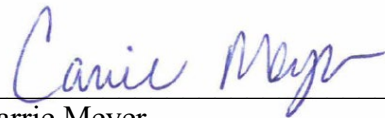
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Rocky Mountain Power
Docket No. 23-035-40
Witness: Mariya V. Coleman

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Mariya V. Coleman

December 2023

1 **Q. Are you the same Mariya V. Coleman who previously filed direct testimony in this**
2 **proceeding on behalf of PacifiCorp d/b/a Rocky Mountain Power (“PacifiCorp”**
3 **or the “Company”)?**

4 A. Yes.

5 **I. PURPOSE OF TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony in this case?**

7 A. My testimony provides the updated cost of the insurance premiums that the Company
8 seeks to defer in this case. I also respond to certain issues raised by the Division of
9 Public Utilities (“DPU”), the Office of Consumer Services (“OCS”) and the Utah
10 Association of Energy Users (“UAE”) in direct testimony. I refer to the parties
11 collectively as “the Parties” throughout my testimony. Specifically, I address whether
12 the insurance premiums in this case are an extraordinary cost and respond to Parties’
13 concerns that the outcome of specific litigation may have affected the costs of these
14 premiums.

15 **Q. Are any other witnesses providing testimony in response to issues raised by the**
16 **DPU, the OCS and UAE?**

17 A. Yes. Ms. Shelley E. McCoy responds to the Parties’ assertions regarding whether these
18 insurance premium costs were foreseeable and whether its impact on earnings is
19 material and extraordinary. Ms. McCoy also addresses whether the Company should
20 have sought recovery of these expenses through a general rate case proceeding instead
21 of this deferral application.

22 **II. EXCESS LIABILITY INSURANCE PREMIUM INCREASE**

23 **Q. As a preliminary matter, do you have any updates to the estimated change in**
24 **excess liability insurance premiums that the Company experienced in 2023?**

25 A. Yes. My direct testimony stated that the premiums for excess liability insurance
26 available to the Company in 2023 were currently expected to be \$125 million (total-
27 Company), but noted it was subject to change as the Company considers additional
28 policies. The current expectation is \$122.6 million (total-Company), which is slightly
29 lower but still a significant increase from the \$10.5 million in premiums that was
30 included in the rates authorized in the 2020 general rate case (“2020 GRC”).

31 **III. REQUIREMENTS FOR DEFERRAL**

32 **Q. What are the requirements for deferred accounting in Utah?**

33 A. While I am not an attorney or expert in regulatory affairs for the Company’s Utah
34 operations, as I understand it, a cost or revenue that is considered for deferred
35 accounting treatment must be unforeseeable and extraordinary. This is discussed in
36 more detail in Ms. McCoy’s testimony.

37 **Q. Did the Parties address the Company’s request for deferred accounting with**
38 **respect to these two standards?**

39 A. Yes. Ms. McCoy, who is the witness on regulatory matters, summarizes the Parties’
40 opinions regarding the standards for approving a deferral and offers the majority of the
41 Company’s response. However, I address some of the claims the Parties make in their
42 testimony.

43 **Q. DPU witness Mr. Jeffery S. Einfeldt claims that the increase in premiums is**
44 **significant but not extraordinary since the higher insurance premiums are**
45 **expected to continue as the new normal.¹ Do you agree that the insurance**
46 **premiums are likely to remain elevated?**

47 A. Yes. As stated in my direct testimony, increased wildfire activity across the western
48 United States (“US”) has significantly impacted the insurance markets. The Company
49 believes this will not be a one-time anomaly but is indicative of the high cost of
50 obtaining excess liability coverage due to ongoing challenges with wildfire issues.

51 **Q. Do you agree with Mr. Einfeldt that the fact that cost increases are ongoing means**
52 **they are not extraordinary?**

53 A. No, I do not agree. While the Company’s insurance costs will likely remain elevated
54 moving forward, the increased premiums compared to the premiums included in rates
55 in the Company’s 2020 GRC is extraordinary and therefore appropriate for deferral.

56 **Q. Mr. Einfeldt claims the Company’s insurance costs have also increased in prior**
57 **years yet the Company did not request a deferral.² Can you address his claims?**

58 A. As I stated in my direct testimony, in my time in utility industry insurance and risk
59 management I have never seen a year-on-year increase in excess liability premiums
60 like the one facing the Company today. The scale and speed of the increase is
61 extraordinary: The increase in excess liability insurance premium costs from the 2022
62 policy year to the 2023 policy year is 234 percent; the increase over the years –2019 to
63 2023 is 1,764 percent. Comparing this increase to the normal premium renewal
64 increases does not adequately consider the scope of the increase in recent years.

¹ Direct Testimony of Jeffrey S. Einfeldt at 6.

² *Id.* at 7.

65 **IV. IMPACT OF DISCRETE EVENTS ON EXCESS LIABILITY INSURANCE**

66 **PREMIUMS**

67 **Q. Did the Parties raise concerns regarding specific events that they assert have**
68 **impacted the costs of the Company’s excess liability insurance premiums?**

69 A. Yes. The Parties all mention wildfire events that occurred in Oregon in 2020 and
70 PacifiCorp’s potential legal liability resulting from those fires, including a jury verdict
71 in which the Company was found liable for certain wildfire damages (“*James*”).

72 **Q. Please summarize the Parties’ recommendations with respect to specific wildfire**
73 **events and the insurance premium increase.**

74 A. The DPU states that when the increased insurance costs are reviewed for prudence, the
75 Commission should examine how much of the increase can be directly related to the
76 legal liability resulting from the 2020 wildfires in Oregon.³ The DPU further states the
77 recovery should be conditioned on the determination of any perceived negligence on
78 the Company’s part that impacted the insurance premiums.⁴

79 The OCS states that before the Commission grants the Company’s request for
80 a deferred accounting order, it should determine the cause of the excess liability
81 increase and whether the costs should be recovered from Utah customers.⁵ The OCS
82 claims that there is not adequate information to determine how much of the premium
83 increase is related to the *James* jury verdict.⁶

84 UAE also notes that it is not clear to what extent, if any, the *James* verdict or
85 other litigation against PacifiCorp influenced the size of the premiums the Company is

³ Direct Testimony of Jeffrey S. Einfeldt at 7-8.

⁴ *Id.* at 8.

⁵ Direct Testimony of Alyson Anderson at 5-6.

⁶ *Id.*

86 being required to pay for excess liability insurance coverage, but concludes the issue
87 can be addressed when rate treatment for the deferral is requested.⁷ UAE does not
88 oppose the Commission granting the Company's request for deferred accounting
89 subject to a prudence review in the next general rate case.⁸

90 **Q. What is the Company's position?**

91 A. In this proceeding, the Company seeks the ability to defer the incremental costs
92 associated with the excess liability insurance premiums. As discussed in the application
93 and in Ms. McCoy's testimony, the Company is not requesting a prudence
94 determination or rate treatment at this time and agrees with UAE that granting deferral
95 does not guarantee full cost recovery.

96 **Q. The parties all refer to the *James* verdict in their testimony. Did the jury verdict
97 in *James* affect the insurance premium costs that the Company seeks to defer?**

98 A. PacifiCorp's insurers did not communicate to PacifiCorp the impact, specific or
99 general, of the *James* verdict, the timing of which was coincidental to the renewal of
100 the Company's excess liability insurance. Insurers did indicate in renewal discussions
101 that climate change resulting in increased wildfire risk, in addition to claims against
102 multiple utilities in the western US was influencing their decisions to withdraw from
103 selling wildfire insurance or to charge more to insure wildfire risk. As a general matter,
104 insurance companies base their policies on the total risk being insured and do not
105 compartmentalize certain percentages of that risk to specific events. Specific to the
106 *James* verdict, excess liability insurance covers damages that the Company pays to
107 parties and attaches only after PacifiCorp pays a claim. The Company has not yet paid

⁷ Direct Testimony of Kevin C. Higgins at 5-6.

⁸ *Id.* at 4-5.

108 the damages in *James* and, as a result, has not filed any *James*-related claims with its
109 insurers.

110 **Q. The OCS also asserts that, regardless of the impact of the *James* verdict on the
111 Company's insurance premiums, the Commission should reconsider whether the
112 costs of insurance premiums should be shared between shareholders and
113 customers.⁹ How do you respond?**

114 A. As discussed by Ms. McCoy in her direct testimony, the Commission has historically
115 allowed full recovery of insurance premiums in rates. As discussed below, maintaining
116 insurance is a necessary component of operating a utility business that protects
117 customers from excess costs. Consistent with the Commission's historical practice, this
118 necessary business cost should be included in full in the Company's revenue
119 requirement.

120 **Q. Do you agree with Mr. Einfeldt's suggestion that approving the Company's
121 request to defer excess liability insurance premiums creates a disincentive for the
122 Company to manage wildfire risk?¹⁰**

123 A. No. Deferral and eventual recovery of these insurance premium costs will not affect
124 the Company's wildfire risk management activities. The Company does not rely solely
125 on insurance for wildfire risk mitigation but rather takes many actions to mitigate the
126 wildfire risk of operating an electric utility. For example, the Company files Wildfire
127 Mitigation Plans throughout its service territory, including in Utah.¹¹ The Company

⁹ Direct Testimony of Alyson Anderson at 5-6.

¹⁰ Direct Testimony of Jeffrey S. Einfeldt at 9.

¹¹ *In the Matter of Rocky Mountain Power's 2023 Utah Wildland Fire Protection Plan*, Docket No. 23-035-44, Utah Wildfire Mitigation Plan for 2023-2025 (filed Sept. 25, 2023) (available at <https://pscdocs.utah.gov/electric/23docs/2303544/329969UTWldfrMtgnPln202320259-25-2023.pdf>) (last visited Dec. 15, 2023).

128 plans to file these mitigation plans even in states where they are not required, which
129 demonstrates the Company's commitment to mitigating wildfire risk. The Company
130 then follows the actions detailed in these plans to reduce its wildfire risk. Insurance is
131 a necessary business expense for occasions when unanticipated liabilities arise, but the
132 Company takes action to avoid those liabilities in the first place. In fact, these
133 mitigation actions are crucial because if the Company were not taking sufficient actions
134 to safely operate its business it is likely that insurers would not offer insurance in the
135 first place. Moreover, even with excess liability insurance, the Company has a clear
136 financial interest in mitigating wildfire risk because of coverage limitations and to
137 control the Company's costs, ensure rate stability, and maintain credit ratings.

138 **Q. In summary, why is it reasonable for the Commission to allow deferred accounting**
139 **for increased excess liability insurance premium costs?**

140 A. Maintaining insurance is a necessary part of operating a utility and managing the risks
141 associated with that business. Wildfire liability insurance protects the Company and
142 customers against financial losses from third-party claims associated with this risk in
143 Utah and other states in which the Company provides utility service. Wildfire risk for
144 utilities in the western US has radically changed in the past few years, and the premiums
145 for available commercial liability insurance have significantly increased.

146 V. CONCLUSION

147 **Q. What is your recommendation to the Commission?**

148 A. I recommend the Commission approve the Company's application for a deferred
149 accounting order for its excess liability insurance premiums. PacifiCorp estimates that
150 its excess liability insurance costs are approximately \$122.6 million (total-Company)

151 for the policy period beginning August 15, 2023, or later. Current rates reflect
152 approximately \$10.5 million (total-Company) in excess liability insurance costs, which
153 would result in a deferral for Utah's allocated share of approximately \$112.1 million
154 (total-Company) for the difference between current costs and the amount in rates.

155 **Q. Does this conclude your rebuttal testimony?**

156 A. Yes.

Rocky Mountain Power
Docket No. 23-035-40
Witness: Shelley E. McCoy

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

ROCKY MOUNTAIN POWER

Rebuttal Testimony of Shelley E. McCoy

December 2023

1 **Q. Are you the same Shelley E. McCoy who previously filed direct testimony in this**
2 **proceeding on behalf of PacifiCorp d/b/a Rocky Mountain Power (“PacifiCorp”**
3 **or the “Company”)?**

4 A. Yes.

5 **I. PURPOSE OF TESTIMONY**

6 **Q. What is the purpose of your rebuttal testimony in this case?**

7 A. My testimony responds to certain issues raised by the Division of Public Utilities
8 (“DPU”), the Office of Consumer Services (“OCS”) and the Utah Association of
9 Energy Users (“UAE”) in direct testimony. I refer to the parties collectively as “the
10 Parties” throughout my testimony. Specifically I:

- 11 ▪ Quantify the revised total of excess liability insurance premiums paid in 2023 for
12 which the Company seeks a deferral;
- 13 ▪ Demonstrate how this extraordinary cost increase qualifies for deferred accounting;
- 14 ▪ Address why deferred accounting is an appropriate ratemaking tool to capture
15 excess liability insurance premium cost increases rather than a general rate case
16 filing; and
- 17 ▪ Respond to cost recovery issues raised by the DPU.

18 **II. EXCESS LIABILITY INSURANCE PREMIUM UPDATE**

19 **Q. Did you update the change in excess liability insurance premiums the Company**
20 **experienced in 2023 for which it seeks a deferral?**

21 A. Yes. As addressed by Company witness Ms. Mariya V. Coleman, the actual excess
22 liability premiums are \$122.6million (total-Company), which is slightly lower than the
23 \$125.2 million (total-Company) referenced in the Company’s application and

24 supported in my direct testimony. This amount continues to represent a significant
25 increase from the \$10.5 million (total-Company) in premiums included in the rates
26 authorized in the 2020 general rate case (“2020 GRC”).

27 **III. REQUIREMENTS FOR DEFERRAL**

28 **Q. What are the requirements for deferred accounting in Utah?**

29 A. I am not an attorney, but I understand that deferred accounting is permissible only when
30 it meets two specific exceptions to the rule against retroactive ratemaking. First, the
31 deferral must arise from circumstances that were unforeseeable at the time rates were
32 set. Second, the unforeseeable increase or decrease in expenses must be material and
33 have an extraordinary effect on the utility’s earnings.¹ The Company’s application
34 meets both these standards.

35 **Q. Did the Parties address the Company’s application for deferred accounting with
36 respect to these two standards?**

37 A. Yes. The Parties all address these standards but take different positions on whether the
38 Company’s request meets them. Only the DPU challenges the application on the basis
39 that the Company could have foreseen the increase in excess liability insurance costs.
40 The DPU contends that the Company had an indication of the increased excess liability
41 insurance premiums prior to filing its deferral application and should have filed a
42 general rate case.² Neither the OCS nor UAE allege that the insurance cost increase
43 was foreseeable.

44 As for the requirement that the impact on earnings must be material and
45 extraordinary, both the DPU and the OCS contend that the Company’s application fails

¹ *MCI Telecomms. Corp. v. Pub. Serv. Comm’n of Utah*, 840 P.2d 765, 772 (Utah 1992).

² Direct Testimony of Jeffrey S. Einfeldt at 6-7.

46 to meet this standard. UAE does not challenge the Company’s characterization of the
47 cost increase as material and extraordinary.

48 **Q. Do you agree with the DPU’s application of the foreseeability standard in this**
49 **case?**

50 A. No. It is my understanding that this standard considers what the Company could have
51 reasonably foreseen when the Public Service Commission of Utah (“Commission”) last
52 set the Company’s rates. The Company filed its previous general rate case in 2020
53 utilizing a forecast calendar year 2021 test period. As mentioned in my direct
54 testimony, the excess liability insurance premiums paid in August 2020 for coverage
55 in 2020 and 2021 were approximately \$10.5 million (total-Company). While the
56 Company could have reasonably assumed some cost escalation for excess liability
57 insurance premiums, an increase of 1,067 percent was unforeseeable.

58 **Q. The DPU and the OCS oppose the Company’s deferral application claiming the**
59 **Company did not provide enough evidence to demonstrate an extraordinary**
60 **impact on earnings.³ How do you respond?**

61 A. I fundamentally disagree with the claim that the Company has not demonstrated an
62 extraordinary impact on earnings. On page 5 of my direct testimony, I specifically
63 outlined the financial impact of the increased excess liability insurance premiums on
64 earnings—a reduction of almost 100 basis points on the Company’s earned return on
65 equity.

³ *Id.* at 6; Direct Testimony of Alyson Anderson at 4-5.

66 **Q. Would you please quantify the financial impact on earnings using the most recent**
67 **information available?**

68 A. Yes. The excess liability insurance premium of \$122.6 million (total-Company) is an
69 increase over current rates of approximately \$112.1 million (total-Company). Since the
70 Company's direct filing, the Company has filed its Utah results of operations report for
71 the June 2023 reporting period with the Commission ("June 2023 ROO").⁴ Applying
72 the updated 43.9 percent System Overhead allocation factor from that June 2023 ROO
73 results in a Utah-allocated increase of \$49.2 million for the excess liability insurance
74 cost. This increase has an impact of more than 90 basis points on the Company's return
75 on equity. Furthermore, the return on equity of 4.58 percent reported in the June 2023
76 ROO would decrease to 3.66 percent due solely to the increase in excess liability
77 insurance premiums. That is nearly 600 basis points below the Company's authorized
78 return on equity of 9.65 percent.⁵

79 **Q. Do you believe a change of more than 90 basis points in the Company's return on**
80 **equity constitutes an extraordinary impact on earnings?**

81 A. Yes, particularly compared to the impacts in past cases where the Commission has
82 approved deferrals. A Utah-allocated cost increase of \$49.2 million would be
83 approximately 13.7 percent of Utah's operating revenue for return as reported in the
84 June 2023 ROO. By comparison, in Docket No. 17-035-69 ("TCJA Docket"), the
85 Company deferred and refunded a \$61.0 million tax decrease (Utah-allocated) resulting

⁴ *In the Matter of PacifiCorp's Financial Reports 2023*, Docket No. 23-035-12, Rocky Mountain Power's June 2023 Results of Operations (Oct. 31, 2023).

⁵ *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations*, Docket No. 20-035-04, Redacted Order at 16 (Dec. 30, 2020).

86 from the Tax Cuts and Jobs Act of 2018.⁶ Using comparable numbers from the
87 December 2018 Utah results of operations report, the \$61.0 million was approximately
88 12.9 percent of Utah’s operating revenue for return, 60 basis points less than the 13.7
89 percent value of the deferral requested in this case.⁷

90 **Q. Did the DPU support the deferral in the TCJA Docket?**

91 A. Yes. Specifically, in the DPU’s comments filed in that proceeding they stated:

92 The tax law change plainly falls within the exception for unforeseeable and
93 extraordinary events set forth in [*MCI Telecomms. Corp. v. Pub. Serv.*
94 *Comm’n*, 840 P.2d 765 (Utah 1992)]. In order to avoid the unjust and
95 unreasonable rates that would likely be substantially in excess of reasonable
96 rates of return authorized in prior rate cases, justice and equity require action
97 to be taken to avoid the windfall to [the Company] and [Dominion Energy
98 Utah] as a result of tax law changes. Those benefits should fairly be passed
99 to rate payers.⁸

100 **Q. Did the OCS also support a deferral in the TCJA Docket?**

101 A. Yes. Similar to the DPU, the OCS also supported deferred accounting in the TCJA
102 Docket. The comments filed by the OCS stated:

103 It is also self evident [sic] that a decrease in tax rates of this magnitude is
104 likely to result in an extraordinary decrease in [the Company’s] and
105 [Dominion Energy Utah’s] expenses and therefore an extraordinary
106 increase in earnings leading to rates that were based on the previous tax
107 rates being rendered unjust and unreasonable.⁹

⁶ *In the Matter of the Investigation of Revenue Requirement Impacts of the New Federal Tax Legislation Titled: “An act to provide for reconciliation pursuant to titles II and V of the concurrent resolution of the budget for fiscal year 2018”*, Docket No. 17-035-69, Order at 4-5 (Apr. 27, 2018).

⁷ *In the Matter of PacifiCorp’s Financial Reports 2019*, Docket No. 19-035-08, Rocky Mountain Power’s December 2018 Results of Operations (Apr. 30, 2019).

⁸ Docket No. 17-035-69, Comments of the Division of Public Utilities in Support of the Utah Association of Energy Users’ Motion for Orders for Deferred Accounting Treatment of Benefits Associated with 2018 Tax Reconciliation Act at 3 (Jan. 12, 2018).

⁹ Docket No. 17-035-69, Comments of the Office of Consumer Services in Support of Motion for Orders for Deferred Accounting at 3 (Jan. 12, 2018).

108 **Q. The TCJA Docket addressed deferral of extraordinary revenues. Are there**
109 **examples of the DPU and the OCS supporting deferrals for extraordinary**
110 **expenses of a magnitude similar to or less than the insurance premium costs in**
111 **this application?**

112 A. Yes. For example, both the DPU and the OCS supported deferred accounting for \$8.9
113 million (total-Company) in undepreciated plant and \$6.3 million (total-Company) in
114 decommissioning costs for the flood-damaged Powerdale dam, agreeing that the flood
115 was unforeseen and extraordinary and the costs were material.¹⁰ In that case, the DPU
116 suggested that a materiality review begin with FERC's definition of 5 percent or more
117 of income.¹¹ In its testimony in this case, the DPU estimates that the increase in
118 insurance expense represents between 8.75 percent and 9.15 percent of total company
119 net revenue (i.e. net income), meeting the materiality standard the DPU applied in past
120 cases.¹²

121 **Q. The DPU's witness Mr. Einfeldt describes this cost increase as the "new normal"**
122 **and "ongoing," arguing that under current market conditions, the increase is**
123 **large but not extraordinary.¹³ Do you agree?**

124 A. No. The DPU's position is inconsistent with the position they have taken in past

¹⁰ *In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order To Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization; In the Matter of the Application of Rocky Mountain Power for an Accounting Order To Defer the Costs Related to the Mid-American Energy Holdings Company Transaction; In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Costs related to the Flooding of the Powerdale Hydro Facility*, Docket Nos. 06-035-163, 07-035-04, 07-035-14, Report and Order at 10-12 (Jan. 3, 2008). Similarly, DPU and OCS both also supported deferring \$45.8 million in costs associated with the closure of the Trail Mountain Mine. *In the Matter of the Application of PacifiCorp dba Utah Power & Light Company for a Deferred Accounting Order*, Docket No. 01-035-02, Report and Order at 1 (Apr. 4, 2002).

¹¹ Docket Nos. 06-035-163, 07-035-04, 07-035-14, Report and Order at 9.

¹² Direct Testimony of Jeffrey S. Einfeldt at 5.

¹³ *Id.* at 6.

125 deferral proceedings seeking accounting for a revenue credit to customers. Again using
126 the TCJA Docket as an example, taxes were decreased on *an ongoing basis* and taxes
127 paid under the new rate are an *ordinary cost* included in the revenue requirement, yet
128 the DPU supported deferred accounting in that docket. Both the Tax Cuts and Jobs Act
129 tax decrease and the excess liability insurance premium increase result in an
130 extraordinary change in cost and both should be considered for deferred accounting.

131 **Q. Did any party not oppose Commission approval of the Company's deferral**
132 **application?**

133 A. Yes. UAE does not oppose the Company's deferral application in this docket. UAE
134 does request that the Commission consider a wide range of factors and determine the
135 specific amount of costs the Company may recover in the Company's next general rate
136 case.¹⁴ As set forth in the application, the Company agrees that the Commission should
137 consider ratemaking treatment in a subsequent proceeding. The Company does not
138 necessarily agree, however, that all the factors UAE cites are relevant to the Company's
139 recovery of these costs.

140 **IV. ALTERNATIVE TOOLS FOR COST RECOVERY**

141 **Q. The DPU suggests the Company could have used other available ratemaking**
142 **mechanisms such as a general rate case for recovery once it became aware of the**
143 **increase in excess liability insurance premiums.¹⁵ How do you respond?**

144 A. While I addressed this in my direct testimony, I will provide more detail given the
145 DPU's position. To accurately calculate a revenue requirement in a general rate case,
146 the Company first begins with accounting data for a historical period of time, usually

¹⁴ Direct Testimony of Kevin Higgins at 3.

¹⁵ Direct Testimony of Jeffrey S. Einfeldt at 4.

147 12 months ending in the previous June or December. That data is then analyzed to
148 determine if known and measurable adjustments are required for conditions expected
149 to occur in the test period. For example, one area of evaluation is the Company's capital
150 forecast. In the 2020 GRC, the Company forecasted over 1,750 capital projects to be
151 placed in-service from the end of the historical base period through the test period.
152 Those capital projects require a significant amount of time to identify and verify and
153 calculate the necessary components used in the revenue requirement. This same
154 evaluation is done on many of the Company's cost items such as net power costs and
155 insurance premiums. From there, the Company needs additional time to prepare
156 documents, workpapers, testimony, and other support for the application before it is
157 ready to file with the Commission. Then, upon acceptance of filing the application, the
158 statutory period to complete the general rate case is approximately 8 months in Utah.¹⁶
159 In total, the time from initial preparation to final rates can be in excess of 12 months.

160 **Q. Could the Company have requested interim rates to reduce some regulatory lag**
161 **caused by the statutory period?**

162 A. Yes, but the preparation of a general rate case and the presentation of such a request
163 would still take months to complete. This would leave the Company with, at best,
164 only partial recovery of these extraordinary and necessary expenses.

¹⁶ Utah Code § 54-7-12(3)(a).

165 **Q. Are there other reasons why the Company elected to seek deferred accounting**
166 **here rather than file a general rate case to recover the increase in excess liability**
167 **insurance costs?**

168 A. Yes. As a general practice, the Company seeks to file rate cases infrequently to avoid
169 repeatedly increasing the rates Utah customers pay. The Company works hard to
170 manage costs between rate cases to minimize the frequency and size of customer rate
171 increases.

172 **V. FACTORS RELATING TO COST RECOVERY**

173 **Q. Did the DPU raise other concerns regarding recovery of the Company's**
174 **increased insurance costs?**

175 A. Yes. The DPU noted other issues it deemed noteworthy in determining whether the
176 increased costs are recoverable.¹⁷

177 **Q. Are the DPU's cost-recovery concerns within the scope of this proceeding?**

178 A. No. In the Company's application, it stated that the "Commission's approval of
179 deferred accounting treatment for these increased insurance costs will not, in itself,
180 constitute approval of ultimate recovery of these costs."¹⁸ Thus, arguments related to
181 cost recovery should be preserved for a future proceeding. As the DPU's witness
182 Mr. Einfeldt acknowledges,¹⁹ these topics are more appropriately addressed when the
183 Company seeks to recover these costs.

¹⁷ Direct Testimony of Jeffrey S. Einfeldt at 7-8.

¹⁸ Application of Rocky Mountain Power for a Deferred Accounting Order at 4 (Aug. 21, 2023).

¹⁹ Direct Testimony of Jeffrey S. Einfeldt at 8.

184 **Q. Notwithstanding the fact that these cost-recovery concerns are outside the scope**
185 **of this proceeding, would you like to address any of the factors that the DPU**
186 **identified?**

187 A. Yes. Mr. Einfeldt suggests that the Commission should explore “alternative strategies
188 to mitigate wildfire risk rather than acquiring traditional insurance.”²⁰ To the extent Mr.
189 Einfeldt is asserting that the Company relies on insurance instead of mitigating wildfire
190 risk, this assertion is completely wrong. As Ms. Coleman explains in greater detail in
191 her testimony, the Company takes myriad actions to mitigate wildfire risk in addition
192 to acquiring excess liability insurance, including the preparation of Wildfire Mitigation
193 Plans filed for approval with several of the states in which the Company operates,
194 including Utah. Nonetheless, the Company is working with stakeholders on alternative
195 strategies to address the growing cost and risks associated with wildfire liability for
196 future event coverage. However, those strategies will require regulatory approvals and
197 could not have been timely implemented as an alternative to the excess liability policies
198 for coverage this year.

199 VI. CONCLUSION

200 **Q. What is your recommendation to the Commission?**

201 A. I recommend the Commission approve the Company’s application for a deferred
202 accounting order for its excess liability insurance premiums for the 2023-2024 period.
203 The Company estimates that its excess liability insurance costs are approximately
204 \$122.6 million (total-Company) for the policy period beginning August 15, 2023, or
205 later. Current rates reflect approximately \$10.5 million (total-Company) in excess

²⁰ *Id.*

206 liability insurance costs, which would result in a deferral for Utah's allocated share of
207 approximately \$112.1 million (total-Company) for the difference between current costs
208 and the amount in rates.

209 **Q. Does this conclude your rebuttal testimony?**

210 A. Yes.