ROCKY MOUNTAIN POWER
A DIVISION OF PACIFICORP

1407 W. North Temple
Salt Lake City, UT 84116

December 18, 2023

VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY

Wyoming Public Service Commission
2515 Warren Avenue, Suite 300
Cheyenne, Wyoming 82002

Attn: John Burbridge, Chief Counsel

Docket No. 20000-___-EA-23
Record No. _____

RE: IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR A DEFERRED ACCOUNTING ORDER RELATED TO INSURANCE COSTS

Dear Mr. Burbridge:

Please find enclosed for filing Rocky Mountain Power's (the "Company") request for a deferred accounting order for the costs associated with increased insurance premiums.

The application and testimony is being provided in electronic format on the Docket Management System and one hardcopy is being provided to the Wyoming Public Service Commission ("Commission") to allow for public viewing.

It is respectfully requested that all formal correspondence and staff requests regarding this matter be addressed to:

By E-mail (preferred):

datarequest@pacificorp.com
stacy.splittstoesser@pacificorp.com
carla.scarsella@pacificorp.com
ajay.kumar@pacificorp.com

By regular mail:

Data Request Response Center
PacifiCorp
825 NE Multnomah, Suite 2000
Portland, Oregon 97232

with copies to:

Stacy Splittstoesser
Wyoming Regulatory Affairs Manager
Rocky Mountain Power
315 W. 27th St.
Cheyenne, Wyoming 82001

If there are any informal questions related to this application, please feel free to contact Stacy Splittstoesser at (801) 534-5018.

Sincerely,

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

Enclosures

cc: Wyoming Industrial Energy Consumers
Wyoming Office of Consumer Advocate

Carla Scarsella
Ajay Kumar
PacifiCorp
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Attorneys for Rocky Mountain Power

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF ROCKY MOUNTAIN POWER FOR A DEFERRED ACCOUNTING ORDER RELATED TO INSURANCE COSTS	)))))))	DOCKET NO. 20000-___-EA-23 Record No. ________ **APPLICATION FOR ACCOUNTING ORDER**

Pursuant to Wyo. Stat. Ann. §§ 37-2-112 and 37-2-115 and Wyoming Public Service Commission Rule Chapter 3, Section 12, Rocky Mountain Power, a division of PacifiCorp, ("Rocky Mountain Power" or the "Company"), applies to the Wyoming Public Service Commission ("Commission") for an accounting order authorizing the Company to record a regulatory asset for the costs associated with increased insurance premiums ("Deferred Amount"). Wildfire liability risk is impacting the commercial insurance markets with an increase in the premiums for available insurance coverage.

In support of this Application, Rocky Mountain Power states as follows:

1. Rocky Mountain Power is a public utility in the state of Wyoming and is subject to the jurisdiction of the Commission with regard to its rates and service. Rocky Mountain Power also provides retail electric service in the states of Idaho and Utah.

2. Communications regarding this Application should be addressed to:

By e-mail (preferred): datarequest@pacificorp.com
stacy.splittstoesser@pacificorp.com
carla.scarsella@pacificorp.com
ajay.kumar@pacificorp.com

By mail: Data Request Response Center
Rocky Mountain Power
825 NE Multnomah St., Suite 2000
Portland, OR 97232

Stacy Splittstoesser
Rocky Mountain Power
315 W. 27th St.
Cheyenne, WY 82001

Informal questions may be directed to Stacy Splittstoesser, Wyoming Regulatory Affairs Manager at (801) 534-5018.

3. Wildfires across the western United States have resulted in significantly increasing wildfire costs and inability to acquire insurance at rates that have been consistent with past premiums. Liability insurance, including wildfire liability insurance, is a prudent business expense that protects the Company and customers against financial losses from third-party claims.

4. Rocky Mountain Power's recently approved rates that go into effect on January 1, 2024, include premiums for commercial insurance covering third-party liability for claims in excess of $10 million (the Company self-insures for amounts up to $10 million), and a self-insurance reserve for property damage in each state. However, because the wildfire risk for utilities in the western United States has radically changed in the past few years, the premiums for available commercial insurance coverage have significantly increased. As was noted in the Insurance Journal, insurers have taken note of the fact that, "[l]liability on the scale imposed by

the Oregon jury presents an existential threat to an industry that faces increasing wildfire risk from more extreme weather fueled by climate change."[1]

5. Rocky Mountain Power requests authorization to defer the incremental costs associated with the Company's insurance coverage. The Company requested to include these costs in the 2023 general rate case ("GRC") and the Commission denied the request in deliberations conducted on November 28, 2023.[2] The costs of the Company insurance coverage currently in rates beginning January 1, 2024, are based on the actual premiums paid in August 2022. The costs identified in this application would account for the incremental cost of acquiring coverage for the policy periods commencing August 15, 2023, or later. As such, all costs are related to claims against PacifiCorp resulting from providing service to its customers.

6. The combined amount of these insurance premiums, and continued ability to maintain coverage may represent a material impact to the financial stability of the Company that resulted from unique and unforeseen circumstances outside the Company's reasonable control. The potential magnitude of the insurance costs exceeds normal costs anticipated by PacifiCorp and included in its retail rates and could also far exceed the reasonable business risk associated with these claims.

7. If this application is approved, the Company will record deferred amounts by debiting Federal Energy Regulatory Commission ("FERC") Account 182.3-Other Regulatory Assets and crediting FERC Account 925-Injuries and damages. If this application is denied, the costs will remain in FERC Account 925.

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[1] Joel Rosenblatt, *Utility Investors Wary of Exposures After Buffet's PacifiCorp Held Liable for Wildfires*, INSURANCE JOURNAL (July 19, 2023), https://www.insurancejournal.com/news/national/2023/07/19/731224.htm.
[2] *See*, Rebuttal Testimony of Mariya V. Coleman (RMP Exhibit 19.0) in Docket No. 20000-633-ER-23 (Record No. 17252). The Commission conducted public deliberations denying the proposed recovery on November 28, 2023. However, a written order has not been issued at the time this application was filed.

8. Rocky Mountain Power estimates that the commercial insurance costs are approximately $122.4 million (total-Company) for the policy period beginning August 15, 2023, or later. Current rates reflect $32.2 million (total-Company), which would result in a deferral for Wyoming's allocated share of approximately $11.4 million for the difference between the new costs and the amount in rates.

9. The Company acknowledges that the Commission's approval of deferred accounting treatment for these increased insurance costs will not, in itself, constitute approval of ultimate recovery of those costs. Recovery of the costs would be subject to a prudence review and a final decision on rate recovery in a future regulatory filing.

10. This application is supported by pre-filed written direct testimony from Ms. Shelley E. McCoy who explains and supports the proposal to defer the higher liability insurance premium costs and the financial impact to the Company. Direct testimony is also provided by Ms. Mariya V. Coleman who explains the increase in excess liability insurance premiums.

WHEREFORE, Rocky Mountain Power respectfully requests an accounting order authorizing it to record a regulatory asset to FERC Account 182.3 (Other Regulatory Assets). Recovery of the deferred insurance costs will only be authorized through a subsequent regulatory filing.

DATED: December 18, 2023

Respectfully submitted,

Carla Scarsella

Carla Scarsella
Ajay Kumar

Attorneys for Rocky Mountain Power

Docket No. 20000-___-EA-23
Witness: Shelley E. McCoy

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Direct Testimony of Shelley E. McCoy

December 2023

I. INTRODUCTION AND WITNESS QUALIFICATIONS

Q. Please state your name, business address, and present position with PacifiCorp d/b/a Rocky Mountain Power ("PacifiCorp" or the "Company").

A. My name is Shelley E. McCoy, and my business address is 825 NE Multnomah Street, Suite 2000, Portland, Oregon 97232. My present position is Director of Revenue Requirement.

Q. Please describe your education and professional experience.

A. I earned my Bachelor of Science degree in Accounting from Portland State University. In addition to my formal education, I have attended several utility accounting, ratemaking, and leadership seminars and courses. I have been employed by PacifiCorp since November of 1996. My past responsibilities have included general and regulatory accounting, budgeting, forecasting, and reporting.

Q. What are your current responsibilities as Director of Revenue Requirement?

A. My primary responsibilities include overseeing the calculation and reporting of the Company's regulated earnings and revenue requirement, assuring that the interjurisdictional cost allocation methodology is correctly applied, and explaining those calculations to regulators in the jurisdictions in which the Company operates.

Q. Have you submitted testimony in any previous regulatory proceedings?

A. Yes. I have provided testimony in multiple dockets before the California, Oregon, Washington, Wyoming, and Utah public service commissions.

II. PURPOSE AND SUMMARY OF TESTIMONY

Q. What is the purpose of your direct testimony in this case?

A. My testimony explains the Company's request for a deferred accounting order for the incremental costs associated with extraordinary and unforeseeable increases in the Company's excess liability insurance premiums. I also explain and support the Company's ratemaking treatment used to recover prudent insurance premium costs. Additionally, my direct testimony quantifies the financial impact that would occur if the Wyoming Public Service Commission ("Commission") denies deferral of the higher excess liability insurance premiums requested in this docket.

Q. Are any other witnesses providing testimony in support of the Company's application for deferred accounting order?

A. Yes. Ms. Mariya V. Coleman provides testimony supporting the excess liability insurance premiums costs and the impact wildfire liability risk has had on these premiums.

III. REQUEST FOR DEFERRED ACCOUNTING ORDER

Q. What insurance premium cost increases are addressed in the Company's application for a deferred accounting order?

A. The Company's excess liability insurance policies expire every August. The Company's application is based on the unprecedently large increase in premium costs when these policies were renewed in August 2023. Ms. Coleman provides an overview of the Company's insurance and explains the increase experienced regarding excess liability insurance premiums.

Q. How has the Commission treated insurance costs in the Company's rates?

A. As explained later in my testimony, the Commission has approved the inclusion of insurance premium costs in the Company's revenue requirement as a prudent business expense that protects the Company and customers against financial losses from third-party claims. The Company requested inclusion of the updated premium costs during the pendency of the 2023 general rate case ("2023 GRC") proceeding, Docket No. 20000-633-ER-23, which was denied by the Commission.[1]

Q. Is the increase in the excess liability insurance premiums extraordinary and unforeseeable?

A. Yes. The increase in the excess liability insurance premiums is both extraordinary and unforeseeable. As further explained by Ms. Coleman the amount of increase in the excess liability insurance premiums due to wildfire liability risk has been extraordinary and the Company could not have foreseen the increase in premiums between 2022 and 2023.

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

A. Maintaining insurance is a necessary part of operating a utility and the risks associated with that business. Wildfire liability insurance protects the Company and customers against financial losses from third-party claims associated with this risk in Wyoming and other states in which the Company provides utility service. As explained by Ms. Coleman, wildfire risk for utilities in the western United States has radically changed

[1] *In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Service Rates by Approximately $140.2 Million Per Year or 21.6 Percent and to Revise the Energy Cost Adjustment Mechanism,* Docket No. 20000-633-ER-23, Commission deliberations held November 28-29, 2023, written order pending.

in the past few years, and the premiums for available commercial liability insurance have significantly increased.

IV. INSURANCE PREMIUM RATEMAKING TREATMENT

Q. How does the Company recover insurance premium costs?

A. When the Company calculates the revenue requirement for a general rate case, it begins with 12-months of actual historical data known as the base period. This historical data is analyzed to determine if pro-forma adjustments are needed to reflect conditions expected to occur in the 12-month test period (i.e., the 12-month period in which rates are in effect). For items such as insurance premiums, an adjustment is often required. For instance, in the Company's 2023 GRC, an adjustment was included to reflect the pro-forma insurance premiums for both property and liability insurance in the test period.[2] The Commission ultimately approved recovery of insurance premium costs in that docket.

Q. Is the ratemaking treatment described above used in other PacifiCorp jurisdictions?

A. Yes. That same ratemaking treatment has been used in all of the Company's other jurisdictions for insurance premium costs.

Q. What amount did the Company include in the revenue requirement of the 2023 GRC for insurance premiums?

A. The Company included $37.0 million, total-Company, for insurance premiums in the revenue requirement of the 2023 GRC that was filed with the Commission on March 1, 2023. Of the $37.0 million, $32.2 million was for excess liability insurance

[2] Docket No. 20000-633-ER-23, RMP Exhibit 11.2, Page 4.4.

premiums and $4.8 million was for property insurance premiums. These were the actual insurance premiums paid on the most recent renewal policy in August 2022 and were used as the basis for premiums included in the 2023 GRC test period in the initial filing.

Q. Did the Company renew the liability insurance policy during the pendency of the 2023 GRC?

A. Yes. In August 2023, the Company renewed the liability insurance policy and paid a revised premium for coverage in 2023/2024. The Company proposed to update the liability insurance premiums amount in rebuttal testimony that was filed in September 2023 because it was an actual cost incurred by the Company and better aligned with the Company's December 2024 test period and for the rate effective period.

Q. How much did liability insurance premiums increase between the Company's 2023 GRC initial filing and its rebuttal filing?

A. The liability premium increased from $32.2 million (total-Company), which was included in the initial filing, to $125.2 million (total-Company) in August 2023,[3] a $93.0 million increase. The increased Wyoming-allocated amount of approximately $11.8 million was included in the revised revenue requirement within the Company's rebuttal testimony that was filed in September 2023.

Q. Were the liability premiums included in the 2023 GRC rebuttal filing final?

A. While the Company had paid these premiums, the liability premiums included in the rebuttal revenue requirement were still considered an estimate as the final costs had not been finalized. Since the rebuttal filing, invoices have been received and amounts have settled which resulted in actual liability premiums of approximately $122.4 million,

[3] Docket No. 20000-633-ER-23, RMP Exhibit 11.8, Page 10.10.

total-Company. As such, the Company is requesting to defer the cost increase of approximately $90.2 million total-Company, or $11.4 million Wyoming allocated.

Q. Please explain the Commission's deliberations that occurred on November 28, 2023, in regard to the liability insurance premium.

A. It is my understanding that the Commission approved the Company's insurance premiums that were included in its initial application but rejected the update to the liability insurance premium of $11.8 million that was included in the rebuttal filing. However, a written order has not been issued at the time of filing this testimony and as discussed further below, in their deliberations the Commission noted the Company could file a deferral for the costs to allow for further review of the costs.

Q. Why did the Company seek recovery of the materially higher excess liability insurance premium costs in its rebuttal filing in the 2023 GRC?

A. Historically, the Company has updated its GRCs in rebuttal if there are corrections that need to be made or if there are known and measurable adjustments that have occurred between the time the Company files the initial application and the rebuttal testimony. The Company did not foresee the materially large increase in excess liability insurance premium costs at the time the Company filed its case on March 1, 2023, and the updated premium was paid August 15, 2023, before rebuttal testimony was filed. It is appropriate to include updated costs in Company rates especially if it reflects the cost of insurance during the time when rates will be in effect. It is important that rates are set to allow the Company an opportunity to recover its expected costs during the time rates are in effect. In a prior rate case, the Commission allowed updates to insurance expense "as a necessary adjustment to remove estimated data from the rate case in favor of actual figures which portray insurance expense to be experienced when the rates set in this case are in effect."[4]

Q. Why is the Company seeking a deferred accounting order for the excess liability insurance premiums?

A. In the 2023 GRC, the Wyoming Industrial Energy Consumers brought forth a proposal at the hearing to defer the excess liability insurance premium costs. The Commission denied the Company's rebuttal request and stated during public deliberations that these costs should be considered in a separate proceeding. As discussed in the direct testimony of Ms. Coleman, insurance premiums, specifically for excess liability, have increased exponentially. As explained above, the Company's most recent policy renewal for excess liability insurance for the policy period beginning August 15, 2023, increased from $32.2 million to $122.4 million, total-Company in just one year. This material cost increase along with the Commission's denial of the Company's updated liability insurance premiums in the 2023 GRC has driven the Company's request for deferred accounting treatment.

Q. Is the Company seeking a deferred accounting order for property insurance premiums also?

A. No. Property insurance premiums continue to be fairly stable, so the amount reflected in customer rates remains sufficient. If a material change to property insurance premiums were to occur, the Company would evaluate ratemaking options at that time.

[4] *In the Matter of the Application of PacifiCorp for a Retail Electric Utility Rate Increase of $41.8 Million per Year*, Docket No. 20000-ER-03-198 (Record No. 8310), Opinion at ¶61 (Feb. 28, 2004).

Q. What is the financial impact to the Company if the Commission were to deny deferral of the liability insurance premiums?

A. Insurance premiums have increased by approximately $90.2 million, total-Company, over the amount approved by the Commission in the revenue requirement of the 2023 GRC. Using the System Overhead allocation factors of 12.7 percent from the Company's 2023 GRC, this amounts to over $11.4 million on a Wyoming-allocated basis. Non-recovery of this amount would severely impact the Company's ability to fairly earn its authorized return on equity. To further quantify, non-recovery of the $11.4 million excess liability insurance cost increase would lower the Company's earned return on equity in Wyoming by over 75 basis points. By any measure, this impact is materially adverse.

Q. Has the Company sought recovery of its increased excess liability insurance costs in other jurisdictions?

A. Yes. The Company has filed for deferred accounting for these costs in Utah, Oregon, Idaho, California, and Washington.

V. CONCLUSION

Q. What is your recommendation?

A. I recommend the Commission approve the Company's application for a deferred accounting order as related to excess liability insurance premiums. PacifiCorp estimates that its excess liability insurance costs are approximately $122.4 million (total-Company) for the policy period beginning August 15, 2023, or later. Current rates reflect approximately $32.2 million (total-Company) in excess liability insurance costs, which would result in a deferral for Wyoming's allocated share of approximately

$11.4 million (total-Company) for the difference between current costs and the amount approved in the 2023 GRC.

Q. Does this conclude your direct testimony?

A. Yes.

Docket No. 20000-___-EA-23
Witness: Mariya V. Coleman

BEFORE THE WYOMING PUBLIC SERVICE COMMISSION

ROCKY MOUNTAIN POWER

Direct Testimony of Mariya V. Coleman

December 2023

I. INTRODUCTION AND WITNESS QUALIFICATIONS

Q. Please state your name, business address, and present position with PacifiCorp d/b/a Rocky Mountain Power ("PacifiCorp" or the "Company").

A. My name is Mariya V. Coleman. My business address is 2755 E Cottonwood Parkway, Salt Lake City, Utah 84121. I am currently the Vice President of Corporate Insurance and Claims for Berkshire Hathaway Energy Company ("BHE"), PacifiCorp's parent company.

Q. Please describe your education and professional experience.

A. I joined NV Energy as a Risk Analyst in 2010 and worked in roles of increasing responsibility in corporate insurance through 2017. Since 2015, I have managed PacifiCorp's insurance costs and insurance personnel. In 2017, I was named the Director of Corporate Insurance for BHE and its subsidiaries including PacifiCorp. I assumed my current role as Vice President of Corporate Insurance and Claims in May, 2023. I have a Bachelor of Science in Finance from University of Nevada, Las Vegas and a Master of Business Administration from the University of Nevada, Las Vegas.

Q. What are your primary responsibilities as Vice President of Corporate Insurance and Claims for the Company?

A. As Vice President of Corporate Insurance and Claims, I am responsible for the corporate insurance function for BHE and the Company, including the acquisition and management of all corporate insurance programs covering $132 billion in assets.

Q. Have you testified in previous regulatory proceedings?

A. Yes. I have testified in regulatory proceedings in Nevada, Utah, Washington, and Wyoming.

II. PURPOSE AND SUMMARY OF TESTIMONY

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

A. The purpose of my testimony is to support and explain the increase in excess liability insurance premiums and wildfire liability risk that has impacted those premiums.

Q. Please summarize your testimony.

A. My testimony provides an overview of the Company's insurance programs, the role excess liability policies play in providing critical insurance coverage, and the treatment of insurance costs in Wyoming rates. My testimony details the dramatic increases in the Company's excess liability insurance premiums in 2023 and how wildfire liability risk has impacted the commercial insurance markets causing a recent increase in the premiums for available excess liability insurance coverage.

III. OVERVIEW OF INSURANCE PROGRAMS

Q. How does PacifiCorp obtain its commercial insurance?

A. PacifiCorp obtains its commercial insurance, including its excess liability insurance, as part of BHE's aggregated insurance program. This allows PacifiCorp to reduce its insurance costs by sharing a single placement, when possible, instead of purchasing its own. BHE allocates the cost of insurance to PacifiCorp and other BHE companies using corporate cost allocation methodologies and principles.

Q. What types of commercial insurance does PacifiCorp maintain?

A. PacifiCorp maintains a number of types of insurances, including, but not limited to the following categories:

<u>Excess Liability</u>
A claims-made policy form that provides coverage for legal liability to third parties arising out of bodily injury and property damage losses suffered by those third parties. This includes excess wildfire liability insurance.

Punitive Damages
Provides indemnity-only excess liability coverage for punitive damages imposed or awarded against the insured under certain circumstances specified in the policy.

Onshore Property
Covers all risks of physical loss or damage to operating locations (i.e., fire, earthquake, flood, theft, boiler and machinery breakdown, turbine generator breakdown). This coverage includes peripheral coverages such as business interruption at select BHE Renewables sites, increased cost of construction, incidental transit, service interruption, debris removal, accounts receivable, and firefighting equipment.

Terrorism
Provides sabotage and terrorism coverage with respect to property insured under BHE's onshore property program. Terrorism coverage applies to certified and non-certified acts.

Inland Transit and Storage
Coverage is included for transits of turbine rotors, generators, combustion components, exciters, and similar machinery and equipment.

Wind and Solar Equipment Storage
Provides property coverage for wind and solar equipment in storage.

Large-Deductible Worker's Compensation
Provides statutory coverage once the deductible is met for employees injured directly as a result of their employment with the Company.

Excess Workers Compensation
Provides statutory coverage in excess of self-insured retention for employees injured directly as a result of their employment with the Company.

Automobile Liability
Coverage for third-party bodily injury and property damage liability arising out of automobile accidents where the Company is at fault. This covers liability arising out of the use of owned, non-owned, and hired automobiles. Coverage does not include physical damage.

Aviation and Unmanned Aircraft Systems
Provides liability for bodily injury and property damage to third parties arising out of the use of owned and non-owned aircraft. The policy also includes physical damage loss to aircraft as well as war and terrorism and sabotage buyback purchases for both liability and physical damage. Each aircraft is individually rated, and charges are sent to the business which owns the aircraft.

Occurrence Liability Fronting Policy
Allows for insurance certificates issued for contracts that require an occurrence-

based commercial general liability policy form.

Surety Bonds
Used for contractual obligations where the Company is required to have a surety company financially guarantee that it will act in accordance with the terms established in the bond.

Q. How are the excess liability premiums allocated to PacifiCorp?

A. PacifiCorp's premiums are allocated to all businesses benefitting from the coverages purchased through BHE's corporate allocation, which is calculated based on an average percentage of property, plant and equipment; employee count; loss history; overhead electric transmission and distribution lines; and transmission and distribution pipeline miles.

Q. Please describe PacifiCorp's excess liability insurance coverage.

A. Excess liability insurance includes the following major areas of coverage: general liability, wildfire liability, auto liability and employer's liability. Claims for damages to third parties are included within excess liability coverage.

Q. Please explain how PacifiCorp structures its excess liability insurance.

A. PacifiCorp's commercial insurance covers third-party liability for claims in excess of \$10 million. The Company self-insures for small claims under \$10 million.

IV. EXCESS LIABILITY INSURANCE PREMIUM INCREASE

Q. What changes in excess liability insurance premiums has the Company experienced in 2023?

A. As explained in Company witness Shelley E. McCoy's direct testimony, the premiums for excess liability insurance available to the Company in 2023 are currently \$122.4 million (total-Company), and potentially more as the Company considers additional policies, a dramatic increase from the \$32.2 million in premiums that were included in the Company's initial application for the general rate case filed in 2023 ("2023 GRC") and ultimately approved by the Wyoming Public Service Commission ("Commission") in that proceeding. The scale and speed of the increase is extraordinary: the increase in excess liability insurance premium costs from the 2022 policy year to the 2023 policy year is 234 percent; the increase over the years-2019 to 2023 is 1,764 percent.

Q. Please provide context for the increase in excess liability premiums.

A. Against the backdrop of prolonged drought conditions and increased development in wildland areas, wildfires across the western United States ("U.S.") have proliferated in the last several years, and these fires have become larger and more destructive.[1] This has resulted in significantly increasing wildfire costs for utilities and an inability to acquire insurance at rates and coverage levels consistent with past premiums. Insurers have increased the price at which they will consider selling insurance covering claims from wildfire liability. Additionally, insurers who historically would consider selling wildfire liability will no longer do so. For these reasons, the increase the Company experienced is not a one-time anomaly but is indicative of the high cost of obtaining excess liability coverage due to ongoing challenges with wildfire issues.

Q. What is the timing for the increase in premiums?

A. Typically, the Company executes renewals of insurance policies in August of each year. The costs identified in my testimony account for the incremental premium cost associated with acquiring coverage for the policy periods commencing August 15, 2023, or later. As such, all costs are related to insurance premiums to provide coverage

[1] F*or example, see, Rocky Mountain Power's Utah Wildland Fire Protection Plan,* Utah Public Service Commission ("UPSC") Docket No. 20-035-28, Introduction and Cost Summary at 5 (June 1, 2020). *See also, Rocky Mountain Power's Utah Wildland Fire Protection Plan,* USPC Docket No. 23-035-44 (Sept. 25, 2023).

for third-party claims brought against Rocky Mountain Power resulting from providing service to its customers. The costs included in the Company's initial application filing that were approved by the Commission in the 2023 GRC reflected the cost of insurance policies entered into in August 2022, which was the best information available at the time of the 2023 GRC filing.

Q. How are liabilities associated with wildfires covered under the prior and current policies?

A. The total amount of insurance per occurrence is $448.25 million with varying sub-limits for occurrences between states. Claims in any state use up the total amount of the limit available for all states. This means that if there is a claim in one state, then there is less insurance available for the next claim in any other state. Liabilities prior to this renewal were covered similarly to how they are after the August 15, 2023, renewal with an increase in the amount of cumulative, shared insurance limit as reflected below:

August 15, 2022 – August 14, 2023		August 15, 2023 – August 14, 2024	
State	Shared Total Limit	State	Shared Total Limit
CA	$110m	CA	$334.75m
ID, UT, WY	$232.5m	ID, UT, WY	$448.25m
OR, WA	$188m	WA	$353.25m
		OR	$338.25m

Most policies are issued with a single cost for all states, with just a few outliers insuring just California. Without purchasing additional insurance products for each individual state, at an incremental cost, insurers will not differentiate how much risk is allocated by state any further than reflected in the statement above.

Q. How do insurers handle coverage for PacifiCorp's multiple states?

A. Insurers impose sub-limits within a policy to differentiate risks between various states. These sub-limits allow PacifiCorp to insure the entire system at lower cost for our customers.

Q. How did the Company determine the level of reasonable liability insurance coverage?

A. The Company evaluated wildfire claims results from the western U.S. and purchased available insurance limits that were offered by the market. As the Commission has recognized in prior Company rate cases, maintaining insurance is a necessary component of operating a utility and managing the risks associated with the business. The Company endeavors to maintain insurance at sufficient levels to avoid negative and volatile impact of claims on customer rates. Unfortunately, in the event of a catastrophic wildfire, liabilities can exceed the insurance coverage limits now available.

Q. How would you characterize the size of the excess liability premium increases the Company experienced in 2023?

A. I have worked in utility industry insurance and risk management since 2010. In that time, I have never seen a year-on-year increase in excess liability premiums like the one facing the Company today. Insurance premiums can be volatile, but the amount of increase PacifiCorp is experiencing due to wildfire risk in its service territory is extraordinary. In addition, the continuing risk of wildfire is prompting ongoing review by excess liability carriers that could result in further increases in future years or lead to a continued reduction in the number of carriers offering coverage to the Company.

Accounting for this new reality in PacifiCorp's costs is urgent both because the expense increases are extraordinary, but also because they are part of the new reality the Company faces in the excess liability insurance market.

Q. Could PacifiCorp have foreseen these premium increases when its authorized recovery for insurance costs was set in the 2023 GRC?

A. PacifiCorp provided the Commission with the best information available in its initial application filing in the 2023 GRC and updated its rebuttal testimony with the actual amount for excess liability insurance premium that was paid in August 2023. However, the Commission denied the Company's rebuttal amount and approved the Company's direct filing amount, as explained in Ms. McCoy's direct testimony. Premium increases are always a possibility, nothing in the insurance market of 2020 or in late 2022 or early 2023, when the Company was developing the 2023 GRC, indicated that the market for excess liability insurance would drive PacifiCorp's coverage costs to the extraordinary levels we are seeing in 2023. In large measure, the changes are driven by the increasing challenges posed by wildfire liability.

Q. How are wildfire challenges changing the insurance market for PacifiCorp?

A. Wildfire risk increases with the higher incidence of extreme wind, heat, and drought conditions experienced in recent years in Utah and other western states. While it is increasingly foreseeable that wildfire could occur in these conditions, the extent and duration of wildfires remains unpredictable – and subject to forces beyond a utility's control – as other types of weather-driven disasters. The Company has taken significant steps to mitigate the incidence and impact of wildfires in Utah, but those positive actions cannot make anyone capable of forecasting the specific impacts of future fires.

This lack of foreseeability is reflected in the dramatic increase in the Company's liability insurance premiums. Insurance underwriters are making decisions based not only on Company-specific risks, but the overall impact of extreme weather and the way it is seen to drive wildfire risk. The extreme weather events leading to increased wildfire risk have been a major driver of the reduced availability and increased cost of commercial liability insurance.

Q. Are there other factors that have impacted how wildfire risks impact the Company's excess liability premium costs?

A. Yes. The extraordinary change in the Company's 2023 insurance premiums is driven by the increasing incidence of wildfires, but also by litigation outcomes related to those fires. PacifiCorp understands that litigants might sue the Company alleging wildfire damages, and we must size our overall insurance package accordingly. However, the scale of the impacts of recent wildfire litigation was not foreseeable.

Q. Does this conclude your testimony?

A. Yes.