

Exh. MVC-1T

Docket UE-230172

Witness: Mariya V. Coleman

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFICORP dba
PACIFIC POWER & LIGHT COMPANY

Respondent.

Docket UE-230172
(Consolidated)

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS'

Petition for Order Approving Deferral of
Increased Fly Ash Revenues

Docket UE-210852
(Consolidated)

PACIFICORP

REBUTTAL TESTIMONY OF MARIYA V. COLEMAN

October 2023

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your name, business address, and present position.**

3 A. My name is Mariya V. Coleman. My business address is 2755 E Cottonwood
4 Parkway, Salt Lake City, Utah 84121. I am currently the Vice President of Corporate
5 Insurance and Claims for Berkshire Hathaway Energy Company (BHE), the parent
6 company of PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or
7 Company).

8 **Q. Please describe your education and professional experience.**

9 A. I joined NV Energy as a Risk Analyst in 2010 and worked in roles of increasing
10 responsibility in corporate insurance through 2017. Since 2015, I have managed
11 PacifiCorp’s insurance costs and insurance personnel. In 2017, I was named the
12 Director of Corporate Insurance for BHE and its subsidiaries including PacifiCorp. I
13 assumed my current role as Vice President of Corporate Insurance and Claims in May
14 2023. I have a Bachelor of Science in Finance from the University of Nevada, Las
15 Vegas and a Master of Business Administration from the University of Nevada, Las
16 Vegas.

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

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

22 **Q. Have you testified in previous regulatory proceedings?**

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

1 **II. PURPOSE AND SUMMARY OF TESTIMONY**

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

3 A. The purpose of my testimony is to support and explain the Company’s request to
4 include the updated costs associated with renewed and incremental insurance
5 premiums in revenue requirement in this proceeding.

6 **Q. Please summarize your rebuttal testimony.**

7 A. My testimony provides an overview of the Company’s insurance program and the
8 role excess liability policies play in providing critical insurance coverage. My
9 testimony details the dramatic increases in the Company’s excess liability insurance
10 premiums in 2023 and how wildfire liability risk has impacted the commercial
11 insurance markets and the premiums for available excess liability insurance coverage.
12 The Company has included the impact of the increased premiums in its rebuttal
13 revenue requirement presented by Company witness Sherona L. Cheung.¹

14 **III. OVERVIEW OF INSURANCE PROGRAMS**

15 **Q. How does PacifiCorp obtain its commercial insurance?**

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

¹ Cheung, Exh. SLC-8T at 24-25.

1 **Q. What types of commercial insurance does PacifiCorp maintain?**

2 A. PacifiCorp maintains several types of insurances, including, but not limited to the
3 following categories:

4 Excess Liability

5 A claims-made policy form that provides coverage for legal liability to third
6 parties arising out of bodily injury and property damage losses suffered by
7 those third parties. This includes excess wildfire liability insurance.

8 Punitive Damages

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

12 Onshore Property

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

19 Terrorism

20 Provides sabotage and terrorism coverage with respect to property insured
21 under onshore property policies. Terrorism coverage applies to certified and
22 non-certified acts.

23 Inland Transit and Storage

24 Coverage for transits of turbine rotors, generators, combustion components,
25 exciters, and similar machinery and equipment.

26 Wind and Solar Equipment Storage

27 Provides property coverage for wind and solar equipment in storage.

28 Large-Deductible Worker's Compensation

29 Provides statutory coverage once the deductible is met for employees injured
30 directly as a result of their employment with the Company.

31
32 Excess Workers Compensation

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

35 Automobile Liability

36 Coverage for third-party bodily injury and property damage liability arising

1 out of automobile accidents where the Company is at fault. This covers
2 liability arising out of the use of owned, non-owned, and hired automobiles.
3 Coverage does not include physical damage.

4 Aviation and Unmanned Aircraft Systems

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

11 Occurrence Liability Fronting Policy

12 Allows for insurance certificates issued for contracts that require an
13 occurrence-based commercial general liability policy form.

14 Surety Bonds

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

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

19 A. PacifiCorp's premiums are allocated through BHE's corporate allocation, which is
20 calculated based on an average percentage of property, plant, and equipment;
21 employee count; loss history; overhead electric transmission and distribution lines;
22 and transmission and distribution pipeline miles.

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

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

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

28 A. PacifiCorp's commercial insurance covers third-party liability for claims in excess of
29 \$10 million. The Company self-insures for claims under \$10 million.

1 **Q. What insurance premium cost increases are being updated in the Company’s**
2 **rebuttal filing?**

3 A. The Company has updated insurance premium costs for excess liability insurance.
4 The Company’s excess liability insurance policies expire every August. As such, the
5 Company has updated the cost of these premiums in this proceeding based on the
6 most recent premiums from August 2023.

7 **IV. EXCESS LIABILITY INSURANCE PREMIUM INCREASE**

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

10 A. The premiums for excess liability insurance available to the Company in 2023 are
11 currently \$125.2 million (total-Company), and potentially more as the Company
12 considers additional policies, a dramatic increase from the \$6.6 million (total-
13 Company) in premiums that was included in the rates authorized in the Company’s
14 last general rate case, docket UE-191024. In its direct filing, the Company included
15 liability insurance premiums of \$32.2 million on a total-Company basis, based on
16 policy renewal effective August 2022.² The scale and speed of the increase is
17 extraordinary: the increase in excess liability insurance premium costs from the 2022
18 policy year to the 2023 policy year is 289 percent; the increase over the years-2019 to
19 2023 is 1,809 percent.

² Cheung, Exh. SLC-1T at 33:14-15.

1 **Q. How have the costs associated with the insurance programs been treated for rate**
2 **making purposes in Washington?**

3 A. As detailed in the rebuttal testimony of Company witnesses McVee and Cheung,³ the
4 Company has included insurance premium costs in the revenue requirement of this
5 case similar to the ratemaking treatment used in the prior Washington general rate
6 cases.

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

8 A. Against the backdrop of prolonged drought conditions and increased development in
9 wildland areas, wildfires across the western United States (U.S.) have proliferated in
10 the last several years, and these fires have become larger and more destructive.⁴ This
11 has resulted in significantly increasing wildfire costs for utilities and an inability to
12 acquire insurance at rates and coverage levels consistent with past premiums. Insurers
13 have increased the price at which they will consider selling insurance covering claims
14 from wildfire liability. Additionally, insurers who historically would consider selling
15 wildfire liability will no longer do so. For these reasons, the increase the Company
16 experienced is not a one-time anomaly but is indicative of the high cost of obtaining
17 excess liability coverage due to ongoing challenges with wildfire issues.

³ Cheung, Exh. SLC-8T at 24-25; McVee, Exh. MDM-2T at 78-79.

⁴ See e.g., *In the Matter of Utility Wildfire Preparedness*, Docket No. U-210254, PacifiCorp's Washington Wildfire Mitigation Plan Pre-Rulemaking Draft, Introduction at 3 (Apr. 14, 2022).

1 **Q. Has Washington recognized the challenges utilities are facing in securing**
2 **insurance for wildfire liability?**

3 A. Yes. The Washington State Office of the Insurance Commissioner issued a report on
4 the liability insurance market conditions for Washington state electric utility
5 companies.⁵

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

8 A. The total amount of insurance per occurrence is \$448.25 million with varying sub-
9 limits for occurrences between states. Claims in any state use up the total amount of
10 the limit available for all states. This means that if there is a claim in one state, then
11 there is less insurance available for the next claim in any other state. Liabilities before
12 this renewal were covered similarly to how they are after the August 15, 2023
13 renewal with an increase in the amount of cumulative, shared insurance limit as
14 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	\$344.75m
ID, UT, WY	\$232.5m	ID, UT, WY	\$458.25m
OR, WA	\$188m	WA	\$363.25m
		OR	\$348.25m

15 Most policies are issued with a single cost for all states, with just a few
16 outliers insuring only California. Without purchasing additional insurance products

⁵ Office of the Insurance Commissioner Washington State, *Liability Insurance Market Conditions* (Jan. 1, 2023) <https://www.insurance.wa.gov/sites/default/files/documents/2023-utility-liability-study.pdf>.

1 for each individual state, at an additional cost, insurers will not differentiate how
2 much risk is allocated by state any further than reflected in the statement above.

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

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

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

9 A. The Company evaluated wildfire claims results from the western U.S. and purchased
10 available insurance limits that were offered by the market. Maintaining insurance is a
11 necessary component of operating a utility and managing the risks associated with the
12 business. The Company endeavors to maintain insurance at sufficient levels to avoid
13 negative and volatile impact of claims on customer rates. Unfortunately, in the event
14 of a catastrophic wildfire, liabilities can exceed the insurance coverage limits now
15 available.

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

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

1 or lead to a continued reduction in the number of carriers offering coverage to the
2 Company. Accounting for this new reality in PacifiCorp's costs is urgent both
3 because the expense increases are extraordinary, but also because they are part of the
4 new reality the Company faces in the excess liability insurance market.

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

6 A. Wildfire risk increases with the higher incidence of extreme wind, heat, and drought
7 conditions experienced in recent years in Washington and other western states. The
8 Company has taken significant steps to mitigate the incidents and impact of wildfires
9 in its service area. Insurance underwriters are making decisions based not only on
10 Company-specific risks, but the overall impact of extreme weather and the way it is
11 seen to drive wildfire risk. The extreme weather events leading to increased wildfire
12 risk have been a major driver of the reduced availability and increased cost of
13 commercial liability insurance.

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

16 A. Yes. The extraordinary change in the Company's 2023 insurance premiums is driven
17 by the increasing incidents of wildfires, but also by litigation outcomes related to
18 those fires. PacifiCorp understands that litigants might sue the Company alleging
19 wildfire damages, and we must size our overall insurance package accordingly.

20 **Q. In summary, why is it reasonable and prudent for the Commission to allow for
21 excess liability insurance premium costs be included in Washington rates?**

22 A. Maintaining insurance is a necessary part of operating a utility and the risks
23 associated with that business. Wildfire liability insurance protects the Company and

1 customers against financial losses from third-party claims associated with this risk in
2 Washington and other states in which the Company provides utility service. Wildfire
3 risk for utilities in the western U.S. has radically changed in the past few years, and
4 the premiums for available commercial liability insurance have significantly
5 increased.

6 **Q. Please summarize the adjustment included in the revenue requirement.**

7 A. The rebuttal adjustment reflects PacifiCorp's premiums for excess liability insurance
8 costs of approximately \$125.2 million (total-Company) for the policy period
9 beginning August 15, 2023, or later.

10 **V. CONCLUSION**

11 **Q. What is your recommendation?**

12 A. I recommend the Commission approve the Company's updated costs related to excess
13 liability insurance premiums. PacifiCorp estimates that its excess liability insurance
14 costs are approximately \$125.2 million (total-Company) for the policy period
15 beginning August 15, 2023, or later. The Company's initial filing request reflected
16 approximately \$32.2 million (total-Company) in excess liability insurance costs. The
17 increased amounts of approximately \$125.2 million result in Washington's allocated
18 share of liability insurance premiums increasing by approximately \$6.6 million
19 between the initial filing and the rebuttal filing.

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

21 A. Yes.