

Exhibit No. \_\_\_(DTC-3)  
 Docket No. UE-03\_\_\_\_\_  
 2003 PP&L Rate Case  
 Witness: Dawn T. Cartwright

**BEFORE THE  
 WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
 TRANSPORTATION COMMISSION,

Complainant,

vs.

PACIFICORP dba Pacific Power & Light  
 Company,

Respondent.

Docket No. UE-03\_\_\_\_\_

**PACIFICORP**

**EXHIBIT OF DAWN T. CARTWRIGHT**

**Uninsured Losses**

**December 2003**

## **Uninsured losses**

In addition to insurance premiums PacifiCorp incurs costs in respect of loss events which are not covered by an insurance policy. These costs may be in respect of the deductible that applies to the policy or may be costs that are entirely uninsured. PacifiCorp has historically made a budgetary allowance for these costs.

The changes in the insurance market, with higher deductibles and narrower cover, means that for the same pattern of events the uninsured cost associated with those events will be very much higher than would have been the case previously. Some factors that will increase the mean annual value of uninsured losses include:

1. Imposition of higher deductibles. The deductible on Property Damage has increased from \$1m in 1999 to \$7.5m currently.
2. Removal of aggregate protection on insurance policies, primarily liability
3. Removal of insurance cover for damage to overhead transmission network.
4. Others – example: need to meet deductibles for multiple events that do not match prior loss history

A table that includes estimates of the mean annualized value of these factors is included below

<b><u>Loss Event</u></b>	<b><u>\$million</u></b>
Higher Deductibles	2.5
Aggregate Protection on Policies	.4
Transmission and Distribution Network	.9
Others	2.5
Total	6.3