

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. PAC-E-24-04
OF ROCKY MOUNTAIN POWER FOR)	
AUTHORITY TO INCREASE ITS RATES)	DIRECT TESTIMONY OF
AND CHARGES IN IDAHO AND)	MARIYA V. COLEMAN
APPROVAL OF PROPOSED)	REDACTED
ELECTRIC SERVICE SCHEDULES AND)	
REGULATIONS)	

ROCKY MOUNTAIN POWER

CASE NO. PAC-E-24-04

May 2024

1 I. INTRODUCTION AND WITNESS QUALIFICATIONS

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

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

10 Q. Please describe your education and professional
11 experience.

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

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

24 A. As Vice President of Corporate Insurance and Claims, I am
25 responsible for the corporate insurance function for BHE

1 and the Company, including the acquisition and management
2 of all corporate insurance programs covering \$132 billion
3 in assets.

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

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

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

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

9 A. The purpose of my direct testimony is to provide support
10 for the Company's estimated insurance premiums to be
11 collected through the proposed surcharge as detailed in
12 the testimony of Company witness Joelle R. Steward, with
13 the Company seeking an effective date of January 1, 2025,
14 for the proposed rate adjustment.

15 **Q. Please summarize your testimony.**

16 A. My testimony provides an overview of excess liability
17 insurance and how wildfire liability risk has impacted the
18 commercial insurance markets causing a recent increase in
19 the premiums for available excess liability insurance
20 coverage. My testimony further addresses the critical need
21 for obtaining excess liability insurance to cover third-
22 party claims and the factors contributing to the recent
23 surge in commercial premiums for such insurance within the
24 commercial markets.

1 III. OVERVIEW OF INSURANCE PROGRAMS

2 Q. What types of commercial insurance does PacifiCorp
3 maintain?

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

6 Excess Liability

7 A claims-made policy form that provides coverage for legal
8 liability to third parties arising out of bodily injury
9 and property damage losses suffered by those third
10 parties.

11 Punitive Damages

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

15 Onshore Property

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

24 Terrorism

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

29 Inland Transit and Storage

30 Coverage is included for BHE transits of turbine rotors,
31 generators, combustion components, exciters, and similar
32 machinery and equipment. Allocation is based on the values
33 of the property shipped.

34 Wind and Solar Equipment Storage

35 Provides property coverage for wind and solar equipment
36 in storage for MidAmerican Energy, BHE Renewables, and
37 PacifiCorp projects. Allocation is based on the values of

1 the property in storage.

2 Large-Deductible Worker's Compensation

3 Provides statutory coverage once the deductible is met
4 for employees injured directly as a result of their
5 employment with the company.

6 Excess Workers Compensation

7 Provides statutory coverage in excess of self-insured
8 retention for employees injured directly as a result of
9 their employment with the company.

10 Automobile Liability

11 Coverage for third-party bodily injury and property
12 damage liability arising out of automobile accidents that
13 are BHE's fault. This covers liability arising out of the
14 use of owned, non-owned, and hired automobiles. Coverage
15 does not include physical damage.

16 Aviation and Unmanned Aircraft Systems

17 Provides liability for bodily injury and property damage
18 to third parties arising out of the use of owned and non-
19 owned aircraft. The policy also includes physical damage
20 loss to aircraft as well as war and terrorism and sabotage
21 buyback. Purchases for both liability and physical
22 damage. Each aircraft is individually rated, and charges
23 are sent to the business which owns the aircraft.

24 Occurrence Liability Fronting Policy

25 Allows BHE to have insurance certificates issued for
26 contracts that require an occurrence-based commercial
27 general liability policy form.

28 Surety Bonds

29 Used for contractual obligations of BHE businesses where
30 that business is required to have a surety company
31 financially guarantee to an obligee that the BHE business
32 will act in accordance with the terms established in the
33 bond. All businesses pay their own individual bond premium.

34 **Q. Please explain how PacifiCorp's liability insurance is**
35 **structured in current rates.**

36 A. The Company has included insurance premium costs in prior
37 Idaho general rate cases. Currently, PacifiCorp's rates

1 reflect premiums for commercial insurance that provide
2 third-party liability coverage for claims exceeding
3 \$10 million, while the Company self-insures for lesser
4 claims up to \$10 million.

5 **Q. Please describe how PacifiCorp procures commercial excess**
6 **liability insurance.**

7 A. PacifiCorp's excess liability insurance is purchased as
8 part of BHE's aggregated insurance purchase, which allows
9 PacifiCorp to leverage BHE's size and expertise, and share
10 costs of coverage with other subsidiaries. In 2023,
11 PacifiCorp purchased some insurance on its own behalf
12 incremental to the BHE-wide purchase. Excess liability
13 insurance includes the following major areas of coverage:
14 general liability, wildfire liability, auto liability, and
15 employer's liability. Claims for damages to third-parties
16 are included within excess liability coverage.

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

19 A. PacifiCorp's excess liability premiums are allocated
20 through BHE's corporate allocation. BHE's corporate
21 allocation calculates an average percentage of property,
22 plant and equipment, employee count, loss history, overhead
23 electric transmission and distribution lines, and
24 transmission and distribution pipeline miles.

1 **Q. What are the costs associated with excess liability**
2 **insurance included in this case?**

3 A. As explained in the testimony of Company witness Shelley
4 E. McCoy, the Company proposes an excess liability
5 insurance premium amount of \$9.8 million (Idaho-allocated)
6 to be recovered through a separate surcharge effective
7 January 1, 2025. This amount reflects the Company's
8 estimate of excess liability premiums for the 2024 test
9 period.

10 **Q. Is the estimate of excess liability insurance premium costs**
11 **based on the most recent premiums issued to the Company?**

12 A. Yes. The premiums for excess liability presented in this
13 proceeding are derived from the most recent renewal of its
14 commercial insurance policies in August 2023, with a
15 projected 50 percent increase applied for the 2024 test
16 period. My testimony will provide a rationale why the
17 Company's estimate of excess liability premiums for the
18 test period is appropriate.

19 **IV. EXCESS LIABILITY INSURANCE PREMIUMS**

20 **Q. Why is it necessary for PacifiCorp to have sufficient**
21 **excess liability coverage to continue providing low-cost**
22 **electric service in Idaho?**

23 A. Maintaining insurance is a necessary part of operating a
24 utility and managing the risks associated with that
25 business. Excess liability insurance protects the Company

1 and customers against financial losses from third-party
2 claims in Idaho and other states in which the Company
3 provides utility service. However, wildfire risk for
4 utilities in the western United States ("U.S.") has
5 radically changed in the past few years, and the premiums
6 for available commercial excess liability insurance have
7 significantly increased.

8 **Q. Can you explain the timing of the Company's excess**
9 **liability insurance policy renewal?**

10 A. Typically, the Company executes renewals of insurance
11 policies in August of each year but will purchase insurance
12 off-cycle if a market opportunity to purchase insurance
13 arises. The Company can also change the renewal date if it
14 believes that moving the renewal date may help with
15 marketing efforts.

16 **Q. What is the amount of excess liability premiums the Company**
17 **is forecasting for the test period in this case?**

18 A. The Company is forecasting that excess liability premiums
19 for the test period will be \$183.9 million total company,
20 that will be effective August 15, 2024.

21 **Q. How did the Company develop this forecast?**

22 A. Recent trends, including a compounded, annual program-wide
23 increase of at least 25 percent in 2024 and 2025, informs
24 an expected 50 percent increase over current costs.
25 Accordingly, the premiums are estimated to be approximately

1 \$183.9 million, which translates to approximately
2 \$9.8 million on a Idaho allocated basis.

3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]

11 [REDACTED] However, excess liability
12 premiums for the test period are currently the Company's
13 best estimates based on currently available information.
14 As better information becomes available throughout the
15 proceeding, the Company will provide further updates to
16 the estimated amounts as necessary. In particular, the
17 Company proposes to update the forecasted excess liability
18 premiums amounts in rebuttal testimony.

19 **Q. Does the Company have a proposal for how the costs related**
20 **to excess liability insurance would be recovered?**

21 A. Yes. As discussed in detail in the direct testimony of
22 Company witness Steward, the Company's proposal is to
23 create a dedicated surcharge, Electric Service Schedule
24 No. 92 - Insurance Cost Adjustment, to recover costs
25 related to excess liability insurance. Because of the

1 growing cost of commercial excess liability insurance
2 premiums and restrictions on coverage levels, the Company
3 is exploring the creation of a new insurance mechanism that
4 would incorporate self-insurance for wildfire coverage.
5 Company witness Steward discusses this concept and process
6 in more detail.

7 **Q. What has caused the excess liability premium increase?**

8 A. Wildfires across the western U.S. have resulted in
9 significantly increasing wildfire costs and an inability
10 to acquire insurance at rates and coverage levels that have
11 been consistent with past premiums. Insurers have increased
12 the price at which they will consider selling insurance
13 covering claims from wildfire liability. Additionally,
14 insurers who historically would consider selling wildfire
15 liability will no longer do so. Replacement insurers are
16 selling wildfire insurance at a much higher price than
17 those that historically insured for wildfire risk. Excess
18 liability insurance premium costs in 2023 are 3.7 times
19 the Company's 2022 insurance premiums. 2023 premiums are
20 18 times higher than 2019 premiums for comparable insurance
21 coverage.

22 **Q. Have other electric utilities also seen an increase in
23 their excess liability premiums?**

24 A. Yes. As explained in the direct testimony of Company
25 witness Frank Graves, several other utilities in the west

1 have similarly experienced increases in costs associated
2 with their excess liability premiums. Insurers are
3 increasingly reluctant to provide coverage for wildfire
4 risks due to the growing frequency and severity of these
5 events, coupled with the challenges of extreme weather. As
6 a result, many insurers are no longer selling wildfire
7 liability and many others have offered less coverage and/or
8 have increased the prices of their premiums.

9 **Q. What are the industry impacts to the excess liability**
10 **premiums?**

11 A. As previously discussed, because the wildfire risk for
12 utilities in the Western U.S. has radically changed in the
13 past few years, the premiums for available commercial
14 liability insurance have significantly increased.

15 **Q. Do you believe that commercial premiums for excess**
16 **liability will continue to increase?**

17 A. Yes. The Company views the premium increases encountered
18 since 2019 as a sign of the continued elevated expenses it
19 anticipates for future excess liability coverage. This
20 expectation is due to the ongoing challenges related to
21 wildfire insurance further discussed in the testimony of
22 Company witness Graves.

23 **Q. How are liabilities associated with wildfires covered under**
24 **the prior and current commercial insurance policies?**

25 A. The total amount of insurance per occurrence is

1 \$458.25 million with varying sub-limits for occurrences
 2 between states. Claims in any state use up the total amount
 3 of the limit available for all states. This means that if
 4 there is a claim in one state, then there is less insurance
 5 available for the next claim in any other state.
 6 Liabilities prior to this renewal were covered similarly
 7 to how they are after the August 15, 2023, renewal with an
 8 increase in the amount of cumulative, shared insurance
 9 limit as reflected below:

Table 1: Shared Insurance Limits

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

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

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

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

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

9 A. The Company evaluated wildfire claims results from the
10 Western U.S. and purchased available insurance limits that
11 were offered by the market. Liabilities can exceed the
12 current insurance coverage limits that were purchased in
13 the event of a catastrophic wildfire.

14 **Q. Why is it reasonable and prudent for these insurance**
15 **premium costs to be included in Idaho rates?**

16 A. Maintaining insurance is a necessary part of operating a
17 utility and the risks associated with that business.
18 Utilities maintain insurance at different levels when
19 compared to other industries in order to avoid the
20 volatility of claims on customer rates, especially in an
21 environment when the utility does not directly control the
22 pricing of the service it provides.

23 Idaho customers have benefitted materially from
24 excess liability insurance coverage including recovery of
25 over \$450 million system-wide since 2010, which offsets

1 claims paid by PacifiCorp. These insurance recoveries
2 directly reduce the cost of claims paid, providing
3 financial stability for both the Company and its customers.

4 **V. RECOVERY OF INSURANCE DEFERRAL**

5 **Q. Is the Company requesting the recovery of liability**
6 **insurance premiums in this case?**

7 A. Yes. As explained in the testimony of Company witness
8 McCoy:

9 The projected Idaho deferral balance is
10 estimated at \$7.8 million, which results in
11 amortization expense of \$2.6 million over a
12 three-year period beginning with the
13 implementation of Schedule 92.¹

14 **Q. Were these amounts prudently incurred and should they be**
15 **recovered in rates?**

16 A. Yes. Excess liability insurance constitutes a prudent
17 business expenditure that safeguards both the Company and
18 its customers from financial setbacks arising from third-
19 party claims. In fact, PacifiCorp's currently approved
20 rates include expenses related to excess liability
21 insurance premiums. Although the premiums for commercial
22 insurance have escalated for electric utilities since the
23 Company's previous general rate case, these costs remain a
24 prudent expense and ought to be included in rates.

¹ Direct testimony of Company witness McCoy at p. 18.

1 Q. Does this conclude your direct testimony?

2 A. Yes.