REDACTED
Docket No. UE 433
Exhibit PAC/700
Witness: Mariya V. Coleman

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

PACIFICORP

REDACTED

Direct Testimony of Mariya V. Coleman

February 2024

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I. INTRODUCTION AND WITNESS QUALIFICATIONS

Q. Please state your name, business address, and present position with PacifiCorp d/b/a Pacific 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 and Wyoming.

II. PURPOSE AND SUMMARY OF TESTIMONY

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

A. The purpose of my direct testimony is to provide support for the Company's estimated insurance premiums to be collected through the proposed surcharge as detailed in the testimony of Company witness Joelle R. Steward, with the Company seeking an effective date of January 1, 2025, for the proposed rate adjustment.[1] My testimony further supports the recovery of the total deferred liability insurance premiums recorded under docket UM 2301, as detailed in the testimony of Company witness Sherona L. Cheung.[2]

Q. Please summarize your testimony.

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

III. OVERVIEW OF INSURANCE PROGRAMS

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:

Excess Liability
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.

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[1] Exhibit PAC/600, Steward/4; *see also* Exhibit PAC/1700, Cheung/42-43.
[2] Exhibit PAC/1700, Cheung/42-43.

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 BHE transits of turbine rotors, generators, combustion components, exciters, and similar machinery and equipment. Allocation is based on the values of the property shipped.

Wind and Solar Equipment Storage

Provides property coverage for wind and solar equipment in storage for MidAmerican Energy, BHE Renewables, and PacifiCorp projects. Allocation is based on the values of the property 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 that are BHE's 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 BHE to have insurance certificates issued for contracts that require an occurrence-based commercial general liability policy form.

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

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

A. The Company has included insurance premium cost in prior Oregon general rate cases. In particular, PacifiCorp's current approved rates incorporate premiums for commercial insurance that provide third-party liability coverage for claims exceeding $10 million, while the Company self-insures for lesser claims up to $10 million.

Q. Please describe how PacifiCorp procures commercial excess liability insurance.

A. PacifiCorp's excess liability insurance is purchased as part of BHE's aggregated insurance purchase, which allows PacifiCorp to leverage BHE's size and expertise. 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. How are the excess liability premiums allocated to PacifiCorp?

A. PacifiCorp's excess liability premiums are allocated through BHE's corporate allocation. BHE's corporate allocation calculates 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. What are the cost associated with excess liability insurance included in this case?

A. As explained in the testimony of Company witness Cheung, the Company proposes an excess liability insurance premium amount of $50.4 million (Oregon-allocated) to be recovered through a separate surcharge effective January 1, 2025.[3] This amount reflects the Company's estimate of excess liability premiums for the test period.

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

A. Yes. The premiums for excess liability presented in this proceeding are derived from the most recent renewal of its commercial insurance policies in August 2023, with a projected 50 percent increase applied for the 2025 test period. My testimony will provide a rationale why the Company's estimate of excess liability premiums for the test period is appropriate.

IV. EXCESS LIABILITY INSURANCE PREMIUMS

Q. Why is it necessary for PacifiCorp to have sufficient excess liability coverage to continue providing low-cost electric service in Oregon?

A. Maintaining insurance is a necessary part of operating a utility and managing the risks associated with that business. Excess liability insurance protects the Company and customers against financial losses from third-party claims in Oregon and other states in which the Company provides utility service. However, wildfire risk for utilities in the western United States (U.S.) has radically changed in the past few years, and the premiums for available commercial excess liability insurance have significantly increased.

[3] Exhibit PAC/1700, Cheung/42-43.

Q. What has caused the excess liability premium increase?

A. Wildfires across the western U.S. have resulted in significantly increasing wildfire costs and an inability to acquire insurance at rates and coverage levels that have been 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. Excess liability insurance premium costs in 2023 are 3.7 times the Company's 2022 insurance premiums. 2023 premiums are 18 times higher than 2019 premiums for comparable insurance coverage. Excess liability insurance, including wildfire liability insurance, is a prudent business expense that protects the Company and customers against financial losses from third-party claims.

Q. What are the impacts to the excess liability premiums?

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

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

A. Yes. The Company views the premium increases encountered since 2019 as a sign of the continued elevated expenses it anticipates for future excess liability coverage. This expectation is due to the ongoing challenges related to wildfire insurance.

Q. Can you further explain the timing for the increase in premiums?

A. Typically, the Company executes renewals of insurance policies in August of each year. All costs are related to excess liability insurance premiums related to coverage for third-party claims brought against PacifiCorp resulting from providing service to its customers.

Q. What is the Company's estimate of excess liability premiums for the test period?

A. Based on recent trends, a compounded annual program-wide increase of at least 25 percent in 2024 and 2025, informs a 50 percent increase over current costs. Accordingly, the excess liability premiums are estimated to be approximately $183.9 million, which on an Oregon-allocated basis, translates to $50.4 million.[4]

[redacted] However, excess liability premiums for the test period are currently the Company's best estimates based on currently available information. As better information becomes available throughout the proceeding, the Company will provide further updates to the estimates amounts as necessary.[5]

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

A. The total amount of insurance per occurrence is $458.25 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

[4] Exhibit PAC/1700, Cheung/42-43.
[5] Exhibit PAC/1700, Cheung/43.

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	$344.75m
ID, UT, WY	$232.5m	ID, UT, WY	$458.25m
OR, WA	$188m	WA	$363.25m
		OR	$348.25m

Most policies are issued with a single cost for all states, with just a few outliers insuring just California or Oregon, separately. 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. Liabilities can exceed the current insurance coverage limits that were purchased in the event of a catastrophic wildfire.

Q. Why is it reasonable and prudent for these insurance premium costs to be included in Oregon rates?

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

Oregon customers have benefitted materially from excess liability insurance coverage including recovery of over $450 million system-wide since 2010, which offsets claims paid by PacifiCorp. These insurance recoveries directly reduce the cost of claims paid, providing financial stability for both the Company and its customers.

V. RECOVERY OF INSURANCE DEFERRAL

Q. Is the Company requesting the recovery of total deferred liability insurance premium?

A. Yes. As explained in the testimony of Company witness Cheung:

> [T]he Company anticipates that the total deferred liability insurance premiums to be recorded under docket UM 2301 will be approximately $41.3 million, before accrual of interest, on an Oregon-allocated basis. The Company is proposing to amortize the total Oregon-allocated deferred amounts, plus interest accrual, over a three-year amortization period. Accordingly, annual amortization amount is estimated to be approximately $15.6 million.[6]

[6] Exhibit PAC/1700, Cheung/42.

Q. Were these deferred amounts prudently incurred and should they be recovered in rates?

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

Q. Does this conclude your direct testimony?

A. Yes.