

**Anderson OCS – 1SR**

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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	)	Docket No. 23-035-40
	)	
In the Matter of the Application of Rocky	)	Surrebuttal Testimony of
Mountain Power for a Deferred Accounting	)	Alyson Anderson
Order Regarding Insurance Costs	)	On behalf of the Utah
	)	Office of Consumer Services
	)	

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**January 9, 2024**

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Alyson Anderson. I am a utility analyst for the Utah Office of  
3 Consumer Services (“OCS”). My business address is 160 East 300 South,  
4 Salt Lake City, Utah.

5

6 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

7 A. Yes, I filed Direct Testimony on November 29, 2023, in this proceeding on  
8 behalf of the Utah Office of Consumer Services (OCS).

9

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. My testimony responds to certain issues discussed in rebuttal by Rocky  
12 Mountain Power Company (RMP) witnesses in the request for a deferred  
13 accounting order for the incremental costs associated with increases in  
14 RMP’s excess liability insurance premiums.

15

16 **Q. IN REBUTTAL, DID RMP UPDATE ITS REQUEST FOR DEFERRED  
17 ACCOUNTING ORDER RELATED TO THE INCREASE IN EXCESS  
18 LIABILITY INSURANCE PREMIUMS IN THIS APPLICATION?**

19 A. Yes, RMP has refined the change in the excess liability insurance  
20 premiums at issue in this proceeding. RMP asserts the currently  
21 approved rates include approximately \$10.5 million (total company) in  
22 premiums for commercial insurance covering third-party liability claims,  
23 and RMP is now estimating those premiums to increase to approximately

24 \$122.6 million (total company) beginning August 15, 2023. RMP proposes  
25 to defer Utah's allocated share of the \$112.1 million (total company)  
26 difference between what is in rates and the new premium cost. Using the  
27 updated System Overhead allocation factor of 43.9% from the June 2023  
28 Utah Results of Operations report results in a Utah allocated proposed  
29 deferral of approximately \$49.2 million.<sup>1</sup>

30

31 **Q. HAS RMP SHOWN THAT THE INCREASE IN EXCESS LIABILITY**  
32 **INSURANCE PREMIUMS REPRESENTS AN EXTRAORDINARY**  
33 **IMPACT ITS EARNINGS?**

34 A. Yes, as stated in my direct testimony, generally deferred  
35 accounting treatment should only be authorized for events that are  
36 unforeseen at the time of the last general rate case and have an  
37 extraordinary impact on the utility's earnings. In my direct testimony I  
38 questioned whether RMP had demonstrated an extraordinary impact on  
39 earnings. In rebuttal, RMP has demonstrated the impact of this specific  
40 change in Witness McCoy's testimony in which she states:

41 "This increase has an impact of more than 90 basis points on the Company's  
42 return on equity. Furthermore, the return on equity of 4.58 percent reported in the  
43 June 2023 ROO would decrease to 3.66 percent due solely to the increase in  
44 excess liability insurance premiums. That is nearly 600 basis points below the  
45 Company's authorized return on equity of 9.65 percent."<sup>2</sup>  
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<sup>1</sup> Docket No. 23-035-40 Rebuttal Testimony Shelley E. McCoy, December 21, 2023, lines 71-74.

<sup>2</sup> Docket No. 23-035-40 Rebuttal Testimony Shelley E. McCoy, December 21, 2023, lines 74-78.

47 **Q. DID YOU RAISE OTHER ISSUES IN DIRECT TESTIMONY?**

48 A. Yes, I suggested that the PSC consider a sharing of the cost of the excess  
49 liability insurance premiums between shareholders and ratepayers,  
50 because, the PSC has previously indicated that the authorization of a  
51 deferred accounting order carries a likelihood of that recovery from  
52 ratepayers in the future.<sup>3</sup> Thus, it would be appropriate for the PSC to  
53 disallow that portion of the expense related to the negligence judgement in  
54 the James verdict from deferred accounting treatment.

55

56 **Q. DID RMP PROVIDE ADDITIONAL EVIDENCE IN REBUTTAL**  
57 **TESTIMONY DEMONSTRATING WHAT PORTION OF THE**  
58 **INSURANCE INCREASE IS (OR IS NOT) DUE TO THE JAMES**  
59 **VERDICT?**

60 A. No. Ms. Coleman simply stated in rebuttal that “[i]nsurers did indicate in  
61 renewal discussions that climate change resulting in increased wildfire  
62 risk, in addition to claims against multiple utilities in the western US was  
63 influencing their decisions to withdraw from selling wildfire insurance or to

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<sup>3</sup> In the Matter of the Application of Rocky Mountain Power, a Division of PacifiCorp, for a Deferred Accounting Order to Defer the Costs of Loans Made to Grid West, the Regional Transmission Organization; In the Matter of the Application of Rocky Mountain Power for an Accounting Order to Defer the Costs Related to the MidAmerican Energy Holdings Company Transaction; In the Matter of the Application of Rocky Mountain Power for an Accounting Order for Costs related to the Flooding of the Powerdale Hydro Facility, Docket Nos 06-035-163, 07-035-04, and 07-035-14 Report and Order at 16-17, (Utah PSC, January 3, 2008.)

64 charge more to insure wildfire risk. As a general matter, insurance  
65 companies base their policies on the total risk being insured and do not  
66 compartmentalize certain percentages of that risk to specific events.”<sup>4</sup>

67

68 **Q. HOW DO YOU RESPOND?**

69 A. RMP bears the burden of proof on this issue as is further explained in the  
70 OCS pre-hearing brief also submitted to the PSC today.

71

72 **Q. IN SUMMARY, WHAT IS THE OCS’S CURRENT POSITION ON RMP’S**  
73 **APPLICATION FOR DEFERRED ACCOUNTING ORDER REGARDING**  
74 **INSURANCE COSTS?**

75 A. The PSC should deny RMP’s request for a deferred accounting order, as  
76 RMP did not meet its burden of proof regarding the cause of the increase  
77 in insurance costs. In the alternative, if the PSC determines to authorize  
78 deferred accounting, then a sharing of the incremental liability insurance  
79 premium costs between ratepayers and shareholders would be  
80 reasonable.

81

82 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

83 A. Yes.

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<sup>4</sup> Docket No. 23-035-40 Rebuttal Testimony Mariya V. Coleman, December 21, 2023, lines 100-105.

CERTIFICATE OF SERVICE  
Docket No. 23-035-40

I CERTIFY that on January 9, 2024, a true and correct copy of the foregoing **Surrebuttal Testimony of Alyson Anderson on behalf of the Office of Consumer Services** was served upon the following:

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/s/ *Alyson Anderson*

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Alyson Anderson, Utility Analyst  
Utah Office of Consumer Services