

Application No.: A.09-08-  
Exhibit No.:  
Witnesses: J. Ball  
J. Butler  
M. De Bont  
A. Fohrer  
C. Johns  
H. Martin  
D. Reed  
M. Schneider  
B. Smith  
D. Snow

(U 902-M), (U 338-E), (U 904-G) and (U 39-M)

***TESTIMONY IN SUPPORT OF JOINT  
APPLICATION FOR AUTHORITY TO ESTABLISH  
A WILDFIRE EXPENSE BALANCING ACCOUNT  
TO RECORD FOR FUTURE RECOVERY  
WILDFIRE-RELATED COSTS***

Before the

**Public Utilities Commission of the State of California**

Rosemead, California

August 31, 2009

***TESTIMONY IN SUPPORT OF JOINT APPLICATION FOR  
AUTHORITY TO ESTABLISH A WILDFIRE EXPENSE BALANCING  
ACCOUNT TO RECORD FOR FUTURE RECOVERY WILDFIRE-  
RELATED COSTS***

**Table Of Contents**

| Section   | Page | Witness                               |
|---|------|---------------------------------------|
| I. POLICY TESTIMONY .....   | 1    | A. Fohrer,<br>C. Johns and<br>D. Reed |
| A. Introduction.....  | 2    |                                       |
| B. Cost Recovery Approach .....   | 5    |                                       |
| C. Major Wildfires Are Natural Disasters .....  | 8    |                                       |
| D. Historically, The Commission Has Authorized The Utilities<br>To Recover Costs Associated With Wildfires And Other<br>Disasters .....                             | 10   |                                       |
| 1. Allowing The Utilities To Recover The Costs Of<br>Wildfire Claims Is Consistent With Commission<br>Treatment Of Other Natural Disasters .....                    | 11   |                                       |
| 2. Commission Policies Recognize That Insurance<br>Costs And Claims Are Part Of The Reasonable Cost<br>Of Providing Public Utility Service .....                    | 12   |                                       |
| E. Inverse Condemnation Theory Has The Potential to<br>Increase Claims Costs Regardless Of Utility Actions .....  | 13   |                                       |
| F. The Commission Should Continue Its Policy Of Allowing<br>The Utilities To Recover Costs Associated With Wildfires .....  | 14   |                                       |
| 1. Wildfire Risks Come With The Utility Franchise,<br>And As Such, Must Be Addressed In Rates .....   | 14   |                                       |
| 2. The Need For Financial Strength To Maintain<br>Utility Operations And Reliable Service Has Been<br>Recognized Both By The Commission And The<br>Legislature..... | 15   |                                       |
| G. The Insurance Standard For Cost Recovery Is Appropriate .....  | 16   |                                       |

**TESTIMONY IN SUPPORT OF JOINT APPLICATION FOR  
AUTHORITY TO ESTABLISH A WILDFIRE EXPENSE BALANCING  
ACCOUNT TO RECORD FOR FUTURE RECOVERY WILDFIRE-  
RELATED COSTS**

**Table Of Contents (Continued)**

| Section   | Page | Witness |
|---|------|---------|
| ATTACHMENT A To Chapter I.....                                | 20   |         |
| II. TESTIMONY OF JONATHAN E. BALL REGARDING<br>INSURANCE..... | 41   | J. Ball |
| A. Introduction.....  | 41   |         |
| B. Purpose of Testimony .....                                 | 42   |         |
| C. Summary Of Conclusions .....                               | 42   |         |
| D. Background.....  | 42   |         |
| 1. Insurance Concepts – Overview .....                        | 44   |         |
| 2. Insurance Company Financial Ratings And Stability.....     | 44   |         |
| a) Surplus .....  | 44   |         |
| b) Loss Ratio .....   | 45   |         |
| c) Reinsurance.....   | 45   |         |
| 3. Liability Insurance Programs.....                          | 45   |         |
| 4. Insurance Companies.....                                   | 46   |         |
| a) Mutual Insurance Companies .....                           | 46   |         |
| b) Commercial Insurance Market.....                           | 47   |         |
| 5. Liability Insurance Program Design .....                   | 47   |         |
| a) Lead Insurer .....   | 47   |         |
| b) Other Insurers.....  | 48   |         |
| c) How Much Insurance Should A Utility<br>Purchase? .....     | 49   |         |
| E. Market Conditions .....                                    | 51   |         |

**TESTIMONY IN SUPPORT OF JOINT APPLICATION FOR  
AUTHORITY TO ESTABLISH A WILDFIRE EXPENSE BALANCING  
ACCOUNT TO RECORD FOR FUTURE RECOVERY WILDFIRE-  
RELATED COSTS**

**Table Of Contents (Continued)**

| Section   | Page | Witness    |
|---|------|------------|
| 1. Geographic Risk.....   | 51   |            |
| 2. 2009 Insurance Market Condition – Power And<br>Utility Industry.....   | 51   |            |
| 3. Future Insurance Market Conditions – Power And<br>Utility Industry Entities Exposed To Potential<br>Wildfire Liability Claims..... | 54   |            |
| III. UTILITIES’ INSURANCE TESTIMONY .....   | 55   |            |
| A. SDG&E and SoCalGas Insurance Testimony .....   | 55   | M. De Bont |
| 1. Purpose Of Testimony .....   | 55   |            |
| 2. Overview And Changes In Liability Insurance<br>Market And Its Impact On SDG&E And SoCalGas.....                                    | 55   |            |
| 3. Procurement Process And Results .....  | 57   |            |
| ATTACHMENT To Chapter III-A.....  | 61   |            |
| B. SCE Insurance Testimony.....   | 63   | J. Butler  |
| 1. Background And Purpose Of Testimony.....   | 63   |            |
| 2. Procurement Strategy.....  | 63   |            |
| 3. SCE Loss Experience.....   | 65   |            |
| 4. Overview And Changes In Excess Liability<br>Insurance .....  | 65   |            |
| 5. Future Changes In Excess Liability Insurance.....  | 66   |            |
| ATTACHMENT To Chapter III-B.....  | 67   |            |
| C. PG&E Insurance Testimony .....   | 69   | H. Martin  |
| 1. Purpose Of Testimony .....   | 69   |            |
| 2. Procurement Strategy.....  | 69   |            |

**TESTIMONY IN SUPPORT OF JOINT APPLICATION FOR  
AUTHORITY TO ESTABLISH A WILDFIRE EXPENSE BALANCING  
ACCOUNT TO RECORD FOR FUTURE RECOVERY WILDFIRE-  
RELATED COSTS**

**Table Of Contents (Continued)**

| Section  | Page | Witness                                   |
|--|------|---|
| 3. PG&E Loss Experience .....  | 70   |   |
| 4. Overview And Changes In Excess Liability<br>Insurance.....        | 71   |   |
| 5. Future Changes In Excess Liability Insurance.....                 | 72   |   |
| ATTACHMENT To Chapter III-C.....                                     | 73   |   |
| D. Insurance Procurement Consultative Process .....                  | 75   | J. Butler,<br>M. De Bont and<br>H. Martin |
| IV. RATEMAKING - FINANCING TESTIMONY .....                           | 76   | M. Schneider,<br>B. Smith and<br>D. Snow  |
| A. Introduction.....   | 76   |   |
| B. Recording Costs to The Wildfire Expense Balancing<br>Account..... | 76   |   |
| C. Recovery Of WEBA Balances.....                                    | 77   |   |
| D. Financing Wildfire Costs .....                                    | 77   |   |
| ATTACHMENT To Chapter IV.....  | 80   |   |
| Appendix A Witness Qualifications .....                              | A-1  |   |

1 IV.

2 RATEMAKING - FINANCING TESTIMONY

3 A. Introduction

4 This testimony describes the proposed ratemaking treatment for wildfire related costs, how the  
5 Utilities propose to recover those costs in rates, and how they expect to finance them.

6 B. Recording Costs to The Wildfire Expense Balancing Account

7 The Utilities request that the Commission authorize the creation of a Wildfire Expense Balancing  
8 Account (WEBA) to record for future recovery wildfire-related costs. Each Utility will create a WEBA  
9 to record wildfire costs, reduced by payments received from third parties, including insurance carriers.  
10 Wildfire costs recorded in the WEBA will include: (1) payments to satisfy Wildfire Claims,<sup>33</sup> including  
11 any co-insurance and deductible expense paid by the Utilities, but excluding costs already authorized for  
12 recovery in rates in the Utilities' GRCs; (2) outside legal expenses incurred in the defense of Wildfire  
13 Claims; (3) increases or decreases in wildfire insurance premiums from amounts authorized in the  
14 Utilities' GRCs; and (4) the cost of financing WEBA balances. In no event will any cost recorded in the  
15 WEBA result in double recovery by the Utilities, i.e., the Utilities may not recover costs that have  
16 already been authorized for recovery in a GRC or other proceeding.<sup>34</sup>

17 Insurance proceeds, as well as any payments received from third parties, will be credited to the  
18 WEBA as they are received. The Utilities will adjust WEBA balances as appropriate if any recorded  
19 amounts related to Wildfire Claims are found to result from acts or omissions intentionally engaged in or  
20 directed by Utility management with the intent to cause harm or with knowledge that harm is  
21 substantially certain to result. The Utilities propose that all Wildfire Claims costs be booked to the  
22 WEBA for recovery in CPUC-jurisdictional retail rates. Current regulatory policies would allocate  
23 some portion of these costs to rates under the jurisdiction of the Federal Energy Regulatory Commission

---

<sup>33</sup> "Wildfire Claims" means amounts paid by a Utility to a third party in respect of a claim by such third party for damage or loss resulting from a wildfire, including claims by a governmental entity for the reimbursement of fire suppression costs, damages to environmental resources and other governmental claims against the Utilities arising from a wildfire.

<sup>34</sup> Included in Attachment A are proposed WEBA tariff Preliminary Statements for each of the Utilities which explain the purpose of the WEBA and set forth the entries to be recorded therein.

1 (FERC). To the extent that FERC authorizes recovery of a portion of Wildfire Costs in FERC-  
2 jurisdictional rates, the WEBA will be credited by that amount.

3 **C. Recovery Of WEBA Balances**

4 To moderate the impact on rates, the Utilities propose that the time frame for recovery of WEBA  
5 balances vary depending on the amount of any undercollection in the WEBA. Prior to implementing the  
6 undercollection in rates, the Utility will inform the Commission of its plan for amortizing the WEBA  
7 undercollections after analyzing the magnitude of all of the pending revenue requirement and rate  
8 changes for the subsequent year. The Utilities propose to provide this information in their annual rate or  
9 regulatory account consolidation filings (the annual Energy Resource Recovery Account (ERRA)  
10 Forecast proceeding for SCE, the Annual Electric True-Up (AET) and Annual Gas True-Up (AGT) for  
11 PG&E, and the Regulatory Account Balance Update for SDG&E/SoCalGas). Each Utility generally  
12 will allocate and recover the WEBA balance in rates in the same manner as other liability insurance  
13 expenses.<sup>35</sup>

14 On March 31 of any year that a rate change goes into effect that includes the recovery of a  
15 WEBA balance, the Utility will file an advice letter containing detailed information on the wildfire, total  
16 wildfire liability insurance available, and total wildfire costs recorded in the WEBA during the prior  
17 year. The advice letter will be subject to the normal advice letter protest process. If the Commission  
18 finds any amount not recoverable, the utility will record an appropriate adjustment to the WEBA.

19 The Utilities will file as needed separate Advice Letters requesting authorization to create  
20 memorandum accounts to track WEBA-type costs incurred prior to the Commission authorizing the  
21 creation of the WEBA.

22 **D. Financing Wildfire Costs**

23 The size of wildfire liabilities could range from modest to extremely large, and WEBA financing  
24 will vary accordingly. Balances that remain small may be accommodated within the Utility's existing

---

<sup>35</sup> One exception to this allocation methodology is that any amount allocated to the transmission function and not recovered in FERC rates will be included and recovered through Commission-jurisdictional distribution rates.

1 short-term borrowing program. In that event, the Utility will charge the WEBA for financing costs  
2 computed at the commercial paper rate, consistent with that of other balancing accounts.

3 However, the Utilities' short-term borrowing capacity is limited, and much of that capacity is  
4 needed to meet day-to-day operational needs, other balancing account under-collections and collateral to  
5 support energy procurement . Thus, the Utility may need to resort to financing with long-term debt  
6 and/or equity to support sizeable WEBA balances and will file an application if it wishes to propose that  
7 correspondingly higher financing costs be recorded to the WEBA. Alternatively, large WEBA balances  
8 may be financed with securitized debt, as discussed below.

9 Under California law, Commission authorization is required before a utility may issue debt or  
10 equity, including authorization of the amount and purpose of the financing. In the event of a severe  
11 wildfire for which a utility incurs substantial liability, the affected utility will likely need advance  
12 financing authority in order to meet its obligations. If the utility believes that its undercollection  
13 financing will require additional authority to issue debt or equity to finance wildfire costs, it will file an  
14 application with the Commission seeking the necessary approvals.

15 The WEBA balance is not a permanent asset of the Utility; instead, the WEBA reflects costs of  
16 extraordinary events, and the associated expenses will be recovered through rates over a limited time  
17 frame. Consistent with ratemaking treatment of other debt used to finance balancing accounts, the  
18 Utilities will exclude long-term debt used to finance the WEBA account from their capital structures in  
19 measuring compliance with the Capital Structure Condition. In addition, the Utilities will exclude such  
20 debt from the embedded cost of debt used to calculate their ratemaking return on rate base.

21 One way to reduce the cost of financing the WEBA undercollection is through a utility  
22 securitization, meaning the issuance of bonds whose repayment is secured by a dedicated rate  
23 component authorized by legislation. The Commission took this approach in the case of the Rate  
24 Reduction Bonds as well as with the Energy Recovery Bonds PG&E issued to refinance the regulatory  
25 asset created in connection with the settlement of PG&E's Chapter 11 bankruptcy proceeding. This type  
26 of financing is able to obtain higher credit ratings, and thus lower financing costs. In addition, the bonds



1 will not be treated as utility debt in the rating agencies' assessment of the utility's credit, eliminating the  
2 need to support the debt with higher-cost equity financing.

3           The Utilities therefore ask the Commission to support legislation to effectuate financing large  
4 WEBA balances with debt secured by a dedicated rate component. If securitization receives legislative  
5 authorization, the Utilities would file an application to finance WEBA undercollections with securitized  
6 debt.

1

2

**ATTACHMENT**

**To Chapter IV**



PRELIMINARY STATEMENT - PART V - BALANCING ACCOUNTS  
WILDFIRE EXPENSE BALANCING ACCOUNT (WEBA)

1. Purpose

The purpose of the WEBA is to record wildfire related costs including: (1) payments to satisfy Wildfire Claims, including any co-insurance and deductible expense paid by SoCalGas, but excluding costs already authorized for recovery in rates in SoCalGas' General Rate Cases (GRC); (2) outside legal expenses incurred in the defense of Wildfire Claims; (3) changes in wildfire insurance premiums from amounts forecast in SoCalGas' GRC; and (4) the cost of financing WEBA balances. Related insurance proceeds, as well as any payments received from third parties, will be credited to the WEBA as they are received.

2. Applicability

This account shall apply to all gas customers, except for those specifically excluded by the Commission.

3. Rates

The projected year-end WEBA balance will be applied to gas transportation rates.

4. Accounting Procedures

SoCalGas shall maintain the WEBA by recording entries at the end of each month, net of FF&U, as follows:

- a) A debit entry equal to payments to satisfy wildfire claims, including any deductibles, co-insurance and other incremental insurance expense paid by SoCalGas that are not authorized as part of SoCalGas' GRC or any other proceeding;
- b) A debit entry equal to incremental outside legal costs incurred by SoCalGas in the defense of wildfire claims;
- c) A credit entry each month equal to any reimbursement by insurance companies (i.e. proceeds) or other third parties related to costs recorded in this account;
- d) A credit entry equal to the revenues to recover these costs as authorized by the Commission; and
- e) An entry equal to the interest on the average of the balance in the account during the month, calculated in the manner described in Preliminary Statement, Part I, J. Interest includes any incremental debt/equity costs associated with financing the WEBA undercollection balance over a long-term period as authorized by the Commission.

5. Disposition

SoCalGas will address the balance in the WEBA in its annual October regulatory account advice filing amortizing the year-end balance effective January 1 of the following year or in an applicable proceeding as defined by the guidelines authorized by the Commission.

(TO BE INSERTED BY UTILITY)  
 ADVICE LETTER NO. \_\_\_\_\_  
 DECISION NO. \_\_\_\_\_  
 rcu

ISSUED BY  
**Lee Schavrien**  
 Senior Vice President  
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)  
 DATE FILED \_\_\_\_\_  
 EFFECTIVE \_\_\_\_\_  
 RESOLUTION NO. \_\_\_\_\_



Southern California Edison  
 Rosemead, California (U 338-E)

Original Cancellling  
 Cal. PUC Sheet No.  
 Cal. PUC Sheet No.

PRELIMINARY STATEMENT

Sheet 1

DDD. Wildfire Expense Balancing Account - (WEBA)

1. PURPOSE: The purpose of the Wildfire Expense Balancing Account (WEBA) is to record Wildfire-related costs.

2. DEFINITIONS:

Costs Arising From Wildfires: All amounts paid by SCE that are the result of a wildfire, including (1) payments to satisfy Wildfire Claims, including any co-insurance and deductible expense paid by SCE, (2) outside legal expenses incurred in the defense of Wildfire Claims, and (3) changes in wildfire insurance premiums for insurance, including associated fees and taxes. Costs Arising From Wildfires shall exclude costs that have previously been authorized for recovery in rates in SCE's General Rate Case ("GRC").

Wildfire Claims: All amounts paid by SCE to a third party in respect of a claim by such third party for damage or loss resulting from a wildfire, including claims by a governmental entity for the reimbursement of fire suppression costs, damages to environmental resources and other governmental claims against the Utilities arising from a wildfire.

3. APPLICABILITY: The WEBA applies to all customer classes, except for those specifically excluded by the Commission.

4. RATES: The WEBA does not have a separate rate component. The balance will be allocated between, and recovered in both distribution and generation rate levels in the same manner as SCE recovers other Administrative and General costs.

(Continued)

(To be inserted by utility)  
 Advice ECBA  
 Decision \_\_\_\_\_  
 100

Issued by  
Akbar Jazayeri  
Vice President

(To be inserted by Cal. PUC)  
 Date Filed \_\_\_\_\_  
 Effective \_\_\_\_\_  
 Resolution \_\_\_\_\_



Southern California Edison  
 Rosemead, California (U 338-E)

Original  
 Cancelling

Cal. PUC Sheet No.  
 Cal. PUC Sheet No.

PRELIMINARY STATEMENT

Sheet 2

(Continued)

DDD. Wildfire Expense Balancing Account - (WEBA) (Continued)

5. ACCOUNTING PROCEDURE: SCE shall maintain the WEBA by making entries to this account at the end of each month as follows:
  - a. Debit (or credit as necessary) entries each month equal to SCE's Costs Arising From Wildfires.
  - b. A credit entry each month equal to amounts received by SCE from insurance companies or other third parties in respect of Costs Arising From Wildfires.
  - c. A credit entry each month equal to amounts received by SCE from transmission customers through FERC authorized transmission rates for the recovery of Costs Arising From Wildfires.
  - d. A credit (or debit as necessary) entry at the end of each year to transfer the balance in the WEBA to the Base Revenue Requirement Balancing Account (BRRBA).
  - e. A debit (or credit as necessary) entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth of the Federal Reserve three month Commercial Paper Rate - Non-Financial, from the Federal Reserve Statistical Release H.15 (expressed as an annual rate). If in any month a non-financial rate is not published, SCE shall use the Federal Reserve three-month Commercial Paper Rate-Financial.
6. DISPOSITION: Disposition of the balance in this account shall be determined in SCE's annual Energy Resource Recovery Account (ERRA) Forecast Proceeding, or as otherwise authorized by the Commission.
7. REVIEW PROCEDURE: On March 31 of the year any rate change goes into effect that includes the recovery of a WEBA balance, SCE will file an advice letter containing detailed information on the wildfire, total liability insurance available, and total wildfire costs recovered in the WEBA during the prior year. If the Commission finds any amount not recoverable because it results from acts or omissions intentionally engaged in or directed by SCE management with the intent to cause harm or with knowledge that harm is substantially certain to result, the utility will record an appropriate adjustment to the WEBA.

(To be inserted by utility)  
 Advice ECBA  
 Decision \_\_\_\_\_

Issued by  
Akbar Jazayeri  
Vice President

(To be inserted by Cal. PUC)  
 Date Filed \_\_\_\_\_  
 Effective \_\_\_\_\_  
 Resolution \_\_\_\_\_

200



PRELIMINARY STATEMENT

XX. Wildfire Expense Balancing Account – Electric (WEBA-E)

1. **PURPOSE:** The purpose of the Wildfire Expense Balancing Account (WEBA) is to record for later recovery the costs of third party claims resulting from wildfires that would have been covered by insurance, as well as costs that would not have been incurred if insurance were available, including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, but excluding costs that have already been authorized in the PG&E's General Rate Case (GRC); (2) outside legal costs incurred in the defense of wildfire claims; (3) premium costs not in rates; and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEBA as they are received.
2. **APPLICABILITY:** The WEBA applies to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the balance in this account shall be determined in the Annual Electric True-up Advice Letter, or as otherwise authorized by the Commission. The balance in this account will be transferred to the Distribution Revenue Adjustment Mechanism (DRAM) account at the end of each year.
4. **RATES:** The WEBA does not have a rate component.
5. **ACCOUNTING PROCEDURE:** PG&E shall maintain the WEBA by making entries to this account at the end of each month as follows:
  - a. A debit entry each month equal to the electric portion of PG&E's payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, premium costs not included in PG&E's general rate case, and outside legal costs incurred in the defense of wildfire claims, but excluding costs that have already been authorized in PG&E's GRCs.
  - b. A credit entry each month equal to the electric portion of reimbursement by insurance companies or other third parties.
  - c. A credit entry each month equal to amounts received through FERC authorized transmission rates for the recovery of costs related to wildfire claims.
  - d. A credit (or debit as necessary) entry at the end of each year to transfer the balance in the account to DRAM.
  - e. An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor, or at a different rate as may be authorized by the Commission.

Advice Letter No.  
Decision No.

Date Filed \_\_\_\_\_  
Effective \_\_\_\_\_  
Resolution No. \_\_\_\_\_



PRELIMINARY STATEMENT

XX. Wildfire Expense Balancing Account - GAS (WEBA-G)

1. **PURPOSE:** The purpose of the Wildfire Expense Balancing Account (WEBA) is to record for later recovery the costs of third party claims resulting from wildfires that would have been covered by insurance, as well as costs that would not have been incurred if insurance were available, including: (1) payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, but excluding costs that have already been authorized in the PG&E's General Rate Case (GRC); (2) outside legal costs incurred in the defense of wildfire claims; (3) premium costs not in rates; and (4) the cost of financing these amounts. Insurance proceeds, as well as any payments received from third parties, will be credited to the WEBA as they are received.
2. **APPLICABILITY:** The WEBA applies to all customer classes, except for those specifically excluded by the Commission.
3. **REVISION DATE:** Disposition of the balance in this account shall be determined in the Annual Gas True-up Advice Letter, or as otherwise authorized by the Commission. The balance in this account will be transferred to the "Distribution Cost Subaccount" of the Core Fixed Cost Account (CFCA) and the Noncore Distribution Fixed Cost Account (NDFCA) accounts, as appropriate, at the end of each year.
4. **RATES:** The WEBA does not have a rate component.
5. **ACCOUNTING PROCEDURE:** PG&E shall maintain the WEBA by making entries to this account at the end of each month as follows:
  - a. A debit entry each month equal to the gas portion of PG&E's payments to satisfy wildfire claims, including any deductibles, co-insurance and other insurance expense paid by PG&E, premium costs not included in PG&E's general rate case and outside legal costs incurred in the defense of wildfire claims, but excluding costs that have already been authorized in PG&E's GRCs.
  - b. A credit entry each month equal to the gas portion of reimbursement by insurance companies or other third parties.
  - c. A credit (or debit as necessary) entry at the end of each year to transfer the balance in the account to CFCA and NDFCA, as appropriate.
  - d. An entry each month equal to the interest on the average of the balance in the account at the beginning of the month and the balance in the account after the above entries, at a rate equal to one-twelfth the interest rate on three-month Commercial Paper for the previous month, as reported in the Federal Reserve Statistical Release, H.15, or its successor, or at a different rate as may be authorized by the Commission.

Advice Letter No.  
Decision No.

Date Filed \_\_\_\_\_  
Effective \_\_\_\_\_  
Resolution No. \_\_\_\_\_



**Appendix A**  
**Witness Qualifications**

1 **QUALIFICATIONS OF JOHN W. BUTLER**

2 Q. Please state your name and business address for the record.

3 A. My name is John W. Butler, and my business address is 2244 Walnut Grove Avenue, Rosemead,  
4 California 91770.

5 Q. Briefly describe your present responsibilities at Edison International.

6 A. I am the director of corporate risk management at Edison International.

7 Q. Briefly describe your educational and professional background.

8 A. I received bachelor's and master's degrees from Yale University in 1980, and an M.B.A. degree  
9 from the University of California, Los Angeles in 1988. I also received the Chartered Financial  
10 Analyst certification in 1992.

11 I worked at Buck Consultants from 1980 to 1983, and at Security Pacific from 1983 to 1985. In both  
12 positions, I was primarily engaged in providing actuarial services to defined benefit pension plans.

13 I joined Southern California Edison Company in 1985 and have held analyst and manager-level  
14 positions in the Investments, Long-Term Finance, and Risk Management groups within the  
15 Treasurer's Department. For approximately 18 months in 1996 and 1997, I was employed as a risk  
16 manager at Edison Source and Edison Enterprises. In 2000, I joined Edison International as the  
17 manager of corporate risk management.

18 Q. What is the purpose of your testimony in this proceeding?

19 A. The purpose of my testimony in this proceeding is to sponsor Chapter III-B and co-sponsor Chapter  
20 III-D of the Wildfire Insurance Cost Recovery Application to establish a cost recovery mechanism  
21 for wildfire-related costs.

22 Q. Was this material prepared by you or under your supervision?

23 A. Yes, it was.

24 Q. Insofar as this material is factual in nature, do you believe it to be correct?

25 A. Yes, I do.

26 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

27 A. Yes, it does.

28 Q. Does this conclude your qualifications and prepared testimony?

1

A. Yes, it does.

1 **QUALIFICATIONS OF MAURY B. DE BONT**

2 Q. Please state your name and business address for the record.

3 A. My name is Maury B. De Bont, and my business address is 101 Ash Street, San Diego, California  
4 92101.

5 Q. Briefly describe your present responsibilities at the Sempra Energy.

6 A. I am currently employed by Sempra Energy as the Risk Manager and have held that position since  
7 January 1999. Sempra Energy is the parent company of San Diego Gas & Electric Company  
8 (SDG&E) and Southern California Gas Company (SoCalGas). My responsibilities on behalf of  
9 SDG&E and SoCalGas include insurance placement and broker management; contract review,  
10 analysis and negotiations of insurance terms and conditions; managing insurance claims; supporting  
11 GRC and the insurance budgetary cost forecasting process; and educating and advising employees  
12 on risk management and insurance issues.

13 Q. Briefly describe your educational and professional background.

14 A. I received a bachelor's degree in Business Finance from California State University Long Beach in  
15 June 1985, and obtained an Associate in Risk Management professional designation in 1991. I am  
16 currently working towards completing the Chartered Property & Casualty Underwriter professional  
17 designation.

18 Prior to joining Sempra, I was employed at Southern California Edison as a Risk Analyst for four  
19 and a half years, where I was responsible for insurance placement and risk management for Edison  
20 Mission Energy projects (development, construction, bank financing negotiations) and utility  
21 matters. I have over 29 years experience in the insurance and risk management industry.

22 Q. What is the purpose of your testimony in this proceeding?

23 A. I am sponsoring Chapter III-A of the Wildfire Insurance Cost Recovery Application to establish a  
24 cost recovery mechanism for wildfire-related costs. I am also a member of the panel sponsoring  
25 Chapter III-D, which describes a consultative process for the Utilities' insurance procurement  
26 strategy.

- 1 Q. Was this material prepared by you or under your supervision?
- 2 A. Yes, it was.
- 3 Q. Insofar as this material is factual in nature, do you believe it to be correct?
- 4 A. Yes, I do.
- 5 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?
- 6 A. Yes, it does.
- 7 Q. Does this conclude your qualifications and prepared testimony?
- 8 A. Yes, it does.

1 **QUALIFICATIONS OF ALAN J. FOHRER**

2 Q. Please state your name and business address for the record.

3 A. My name is Alan J. Fohrer and my business address is 2244 Walnut Grove Avenue, Rosemead,  
4 California 91770.

5 Q. Briefly describe your present responsibilities at Southern California Edison Company.

6 A. I am Chairman and Chief Executive Officer of Southern California Edison Company. My duties  
7 encompass the management of customer service, generation, transmission, distribution and related  
8 corporate functions of the company.

9 Q. Briefly describe your educational and professional background.

10 A. I earned both a Bachelor's Degree (1973) and a Master's Degree (1976) in civil engineering from the  
11 University of Southern California. I earned a Master's Degree in Business Administration (1981),  
12 specializing in Finance and Management from California State University, Los Angeles.

13 I joined Southern California Edison Company in 1973 as an Assistant Civil/Structural Engineer. I  
14 held various positions in the Engineering Department until 1977. During the 1977-78 period, I was  
15 Department Assistant reporting to the Treasurer. In 1978, I returned to the Engineering Department.  
16 In 1980, I joined the Treasurer's Department as a Financial Analyst, and in 1982, I was promoted to  
17 Supervisor of Financial Planning. In 1984, I was promoted to Manager of Financial Planning,  
18 Analysis, and Regulatory Finance. In October 1986, I was promoted to Manager of Corporate  
19 Planning and Budgeting in the Controller's Department. In September 1987, I rejoined the  
20 Treasurer's Department as Assistant Treasurer. On April 1, 1991, I was promoted to Vice President,  
21 Treasurer and Chief Financial Officer. On January 21, 1993, I was promoted to Senior Vice  
22 President and Chief Financial Officer. In 1995 I was promoted to Executive Vice President. In  
23 January 2000, I was elected President and Chief Executive Officer of Edison Mission Energy. On  
24 January 1, 2002, I was elected to my current position.

25 I have previously testified for the Company at the Federal Energy Regulatory Commission and the  
26 California Public Utilities Commission.

1 Q. What is the purpose of your testimony in this proceeding?  
2 A. The purpose of my testimony in this proceeding is co-sponsoring Chapter I, Policy Testimony, of the  
3 Wildfire Insurance Cost Recovery Application to establish a cost recovery mechanism for wildfire-  
4 related costs.  
5 Q. Was this material prepared by you or under your supervision?  
6 A. Yes, it was.  
7 Q. Insofar as this material is factual in nature, do you believe it to be correct?  
8 A. Yes, I do.  
9 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?  
10 A. Yes, it does.  
11 Q. Does this conclude your qualifications and prepared testimony?  
12 A. Yes, it does.

1 **QUALIFICATIONS OF CHRISTOPHER P. JOHNS**

2 Q. Please state your name and business address for the record.

3 A. My name is Christopher P. Johns, and my business address is Pacific Gas and Electric Company, 77  
4 Beale Street, San Francisco, California.

5 Q. Briefly describe your present responsibilities at Pacific Gas and Electric Company.

6 A. I am President of Pacific Gas and Electric Company.

7 Q. Briefly describe your educational and professional background.

8 A. I received a Bachelor's degree from the University of Notre Dame. I have also completed the  
9 Nuclear Reactor Technology Course for utility executives at the Massachusetts Institute of  
10 Technology.

11 I joined PG&E in June 1996 as Vice President and Controller and held those positions until  
12 December 1999. I was appointed to the additional position of Controller of PG&E Corporation in  
13 December 1996 and held that position until October 2005. I was promoted to Vice President of  
14 PG&E Corporation effective July 1997 and to Senior Vice President of PG&E Corporation effective  
15 September 2001. I was named Senior Vice President, Chief Financial Officer and Treasurer of both  
16 PG&E and PG&E Corporation in October 2005. I served as Treasurer of both companies until  
17 April 2009. I held the position of Chief Financial Officer of PG&E until May 2007. I served as  
18 Chief Financial Officer of PG&E Corporation through July 2009. From May 2009 to July 2009, I  
19 also served as Senior Vice President, Financial Services of PG&E.

20 Before joining PG&E, I was a partner in KPMG Peat Marwick LLP and was the associate national  
21 director of the firm's public utilities practice. I am a Certified Public Accountant in the states of  
22 California and Florida, and am a member of the Financial Executives International and the American  
23 Institute of Certified Public Accountants.

24 Q. What is the purpose of your testimony in this proceeding?

25 A. The purpose of my testimony in this proceeding is co-sponsoring Chapter I, Policy Testimony, of the  
26 Wildfire Insurance Cost Recovery Application to establish a cost recovery mechanism for wildfire-  
27 related costs.



1 Q. Was this material prepared by you or under your supervision?

2 A. Yes, it was.

3 Q. Insofar as this material is factual in nature, do you believe it to be correct?

4 A. Yes, I do.

5 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

6 A. Yes, it does.

7 Q. Does this conclude your qualifications and prepared testimony?

8 A. Yes, it does.

1 **QUALIFICATIONS OF HUDSON T. MARTIN**

2 Q. Please state your name and business address for the record.

3 A. My name is Hudson T. Martin, and my business address is Pacific Gas and Electric Company,  
4 One Market Street, Spear Tower, San Francisco, California.

5 Q. Briefly describe your present responsibilities at Pacific Gas and Electric Company.

6 A. I am director of the Enterprise Risk Management and Insurance Department, where I am responsible  
7 for placing PG&E's property and casualty insurance programs, including the liability insurance  
8 program that provides protection against claims stemming from fires that cause bodily or property  
9 damage to the public.

10 Q. Briefly describe your educational and professional background.

11 A. I received a Bachelor of Arts degree in Economics and Business Administration from the University  
12 of Montana in 1978, and a Master of Arts degree in Economics from the University of California at  
13 Santa Barbara in 1979. Since that time, I have been employed at PG&E and PG&E Corporation in a  
14 variety of functions in the Economics and Statistics, Regulatory and Finance organizations. Since  
15 1989, I have been in the Insurance Department and assumed my current position in 1991.

16 Q. What is the purpose of your testimony in this proceeding?

17 A. I am sponsoring Chapter III-C of the Wildfire Insurance Cost Recovery Application to establish a  
18 cost recovery mechanism for wildfire-related costs. I am also a member of the panel sponsoring  
19 Chapter III-D, which describes a consultative process for the Utilities' insurance procurement  
20 strategy.

21 Q. Was this material prepared by you or under your supervision?

22 A. Yes, it was.

23 Q. Insofar as this material is factual in nature, do you believe it to be correct?

24 A. Yes, I do.

25 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

26 A. Yes, it does.

1 Q. Does this conclude your qualifications and prepared testimony?

2 A. Yes, it does.

1 **QUALIFICATIONS OF DEBRA L. REED**

2 Q. Please state your name and business address for the record.

3 A. My name is Debra L. Reed. My business address is 8330 Century Park Court, San Diego, California  
4 92123.

5 Q. Briefly describe your present responsibilities at Southern California Gas Company and San Diego  
6 Gas & Electric Company.

7 A. I am President and Chief Executive Officer of both Southern California Gas Company and San  
8 Diego Gas & Electric Company. I have held these positions since September of 2006.

9 Q. Briefly describe your educational and professional background.

10 A. I graduated *summa cum laude* from the University of Southern California with a bachelor's degree in  
11 civil engineering.

12 I served as President and Chief Operating Officer for both SDG&E and SoCalGas from May of 2004  
13 through September of 2006. From January of 2002 through May of 2004 I served as President and  
14 Chief Financial Officer of SoCalGas. I had already become President and Chief Financial Officer of  
15 SDG&E in July 2000. Immediately prior to July 2000, I served as President of the Energy  
16 Distribution Services business unit within SoCalGas, overseeing the company's operations for  
17 residential and small commercial/industrial customers. I headed that function at SoCalGas from  
18 1995 to 2000.

19 From 1988 to 1994, I held positions with SoCalGas as Vice President of human resources and before  
20 that as Vice President of administrative services. I originally joined SoCalGas in 1978 as an energy  
21 systems engineer, and between 1978 and 1988 I held a variety of positions at SoCalGas, including  
22 Manager of Environmental Engineering and Manager of Personnel Relations.

23 I have previously testified before the California Public Utilities Commission.

24 Q. What is the purpose of your testimony in this proceeding?

25 A. The purpose of my testimony in this proceeding is co-sponsoring Chapter I, Policy Testimony, of the  
26 Wildfire Insurance Cost Recovery Application to establish a cost recovery mechanism for wildfire-  
27 related costs.

1 Q. Was this material prepared by you or under your supervision?

2 A. Yes, it was.

3 Q. Insofar as this material is factual in nature, do you believe it to be correct?

4 A. Yes, I do.

5 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

6 A. Yes, it does.

7 Q. Does this conclude your qualifications and prepared testimony?

8 A. Yes, it does.

1 **QUALIFICATIONS OF MICHAEL M. SCHNEIDER**

2 Q. Please state your name and business address for the record.

3 A. My name is Michael M. Schneider. My business address is 8330 Century Park Court, San Diego,  
4 California 92123.

5 Q. Briefly describe your present responsibilities at the SDG&E and SoCalGas.

6 A. I am employed by SDG&E and SoCalGas as the Treasurer and Director of Finance and Regulatory.

7 Q. Briefly describe your educational and professional background.

8 A. I received a Bachelor of Economics degree from the University of Arizona in 1987. I received a  
9 Masters of Business Administration from George Mason University with an emphasis in finance and  
10 accounting in 1990.

11 I have been employed by SDG&E since 1992. I have held various positions throughout my 17  
12 years with SDG&E, including Regulatory Case Manager, Pricing Manager, Director of Business  
13 Analysis, and Director of Business Planning and Budgets. Prior to my tenure at SDG&E, I was an  
14 economist for the Federal Energy Regulatory Commission ("FERC") for four years. In my current  
15 capacity as Treasurer and Director of Finance and Regulatory, I am responsible for the utilities'  
16 treasury function (including cash flow forecasting and financings), strategic planning, risk  
17 management, and the development and implementation of the utilities' financing strategies, financial  
18 and economic analysis, revenue requirements for major capital investments, and regulatory cost  
19 recovery mechanisms.

20 I have previously testified before both the FERC and the California Public Utilities Commission.

21 Q. What is the purpose of your testimony in this proceeding?

22 A. I am a member of the panel sponsoring Chapter IV, which describes the cost recovery mechanism  
23 requested in this application.

24 Q. Was this material prepared by you or under your supervision?

25 A. Yes, it was.

26 Q. Insofar as this material is factual in nature, do you believe it to be correct?

27 A. Yes, I do.

1 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

2 A. Yes, it does.

3 Q. Does this conclude your qualifications and prepared testimony?

4 A. Yes, it does.

1 **QUALIFICATIONS OF BRUCE T. SMITH**

2 Q. Please state your name and business address for the record.

3 A. My name is Bruce T. Smith. I am employed by Pacific Gas and Electric Company (PG&E) as a  
4 manager in the Operations Proceedings department. My business address is 77 Beale Street, San  
5 Francisco CA, 94105.

6 Q. Briefly describe your present responsibilities at the Pacific Gas and Electric Company.

7 A. I have been employed by PG&E since 1979. I have held various positions throughout my career  
8 with PG&E, most recently as the project manager for PG&E's last four General Rate Cases. In my  
9 current position, I serve as the project manager for several of PG&E's rate cases and assist in the  
10 preparation of other filings.

11 Q. Briefly describe your educational and professional background.

12 A. I received a Bachelor of Science degree in Mechanical Engineering from the Massachusetts Institute  
13 of Technology in 1971 and a Master of Science degree in Mechanical Engineering from Stanford  
14 University in 1972. I received a Master in Business Administration from Harvard University in  
15 1976. I am registered by the State of California as a Professional Engineer in Mechanical  
16 Engineering.

17 Q. What is the purpose of your testimony in this proceeding?

18 A. I am a member of the panel sponsoring Chapter IV, which describes the cost recovery mechanism  
19 requested in this application.

20 Q. Was this material prepared by you or under your supervision?

21 A. Yes, it was.

22 Q. Insofar as this material is factual in nature, do you believe it to be correct?

23 A. Yes, I do.

24 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?

25 A. Yes, it does.

26 Q. Does this conclude your qualifications and prepared testimony?

27 A. Yes, it does.



1 **QUALIFICATIONS OF DOUGLAS A. SNOW**

2 Q. Please state your name and business address for the record.

3 A. My name is Douglas A. Snow, and my business address is 2244 Walnut Grove Avenue, Rosemead,  
4 California 91770.

5 Q. Briefly describe your present responsibilities at Southern California Edison Company (SCE).

6 A. I am the Manager of Revenue Requirements in SCE's Regulatory Policy and Affairs (RP&A)  
7 Department. As such, I am responsible for overseeing the operation of various Balancing and  
8 Memorandum Accounts and the associated disposition of the balances in those accounts for  
9 ratemaking purposes.

10 Q. Briefly describe your educational and professional background.

11 A. I graduated from Texas A&M University in May of 1982 with a Bachelors of Science Degree in  
12 Industrial Engineering. In June of 1982, I went to work for Southwestern Public Service Company  
13 (SPS) in west Texas. While there, I attained a title of Supervisory Engineer and was responsible for  
14 revenue requirement calculations and rate design for both retail and resale customers. I filed  
15 testimony on behalf of SPS before the Texas Public Utility Commission and the Federal Energy  
16 Regulatory Commission. In November of 1993, I went to work for SCE as a Financial Analyst in  
17 the FERC Pricing section in the RP&A Department. While working in the FERC section, I was  
18 responsible for the rate design for SCE's requirements sales for resale, Wheeling Access Charges,  
19 and wholesale Distribution Access Charges. In March 1998, I became a Supervisor in the Revenue  
20 Requirements division of RP&A, responsible for supervising a group of analysts that oversee the  
21 forecasting and recording entries associated with all CPUC regulatory mechanisms. In December  
22 2001, I was promoted to the position of manager in the Revenue Requirements division of RP&A.  
23 In August 2006, I was promoted to my current position as Manager of Revenue Requirements. I  
24 have previously testified before the California Public Utilities Commission.

25 Q. What is the purpose of your testimony in this proceeding?

26 A. The purpose of my testimony in this proceeding is co-sponsoring Chapter IV of the Wildfire  
27 Insurance Cost Recovery Application to establish a cost recovery mechanism for wildfire-related  
28 costs.

- 1 Q. Was this material prepared by you or under your supervision?
- 2 A. Yes, it was.
- 3 Q. Insofar as this material is factual in nature, do you believe it to be correct?
- 4 A. Yes, I do.
- 5 Q. Insofar as this material is in the nature of opinion or judgment, does it represent your best judgment?
- 6 A. Yes, it does.
- 7 Q. Does this conclude your qualifications and prepared testimony?
- 8 A. Yes, it does.

