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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2020. (U39M)	Application 18-12-009

**PACIFIC GAS AND ELECTRIC COMPANY
NOTICE OF EX PARTE COMMUNICATION**

Pursuant to Rule 8.4 of the California Public Utilities Commission's Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) hereby gives notice of the following *ex parte* communication in the above captioned proceeding.

Erik Jacobson, Director, Regulatory Relations, PG&E initiated the oral communication by telephone on Friday, November 20, 2020 at approximately 10:00 AM with President Marybel Batjer's Advisor, David Peck and at approximately 10:30 AM with Commissioner Liane Randolph's Legal and Policy Advisors, Anand Durvasula and Suzanne Casazza. Also participating in the meeting for PG&E were Shilpa Ramaiya, Senior Director, Regulatory Proceedings and Stephen Cairns, Vice President and Chief Audit Officer.

PG&E stated that its overall proposal was for the Commission to approve the Settlement Agreement (Settlement) in its entirety, including the provisions addressing the increasing threats of catastrophic wildfire in California. The Proposed Decision (PD) should be revised to do this. Rather than repeating the statements PG&E made during the November 12, 2020 oral argument, PG&E said that its purpose in meeting was to discuss wildfire liability insurance cost recovery which was not discussed much at the oral argument. Rising insurance costs, along with wildfire mitigation, was one of the biggest drivers of the total increase in revenues PG&E requested.

PG&E explained that under the Settlement, PG&E would be allowed to recover the actual cost of purchasing up to $1.4 billion of liability insurance. This amount dovetails with PG&E's legal obligation to purchase wildfire liability insurance or self-insure to cover up to $1 billion of wildfire liability claims before it has access to the Wildfire Fund pursuant to AB 1054.

PG&E described the liability insurance market and how market prices for wildfire coverage have increased dramatically. The increasing cost of wildfire insurance is beyond the control of any utility. PG&E uses insurance brokers to obtain the best terms available. However, the number of insurers willing to cover wildfire has decreased dramatically and several significant players have completely exited the U.S. wildfire insurance market; the remaining firms are increasing their prices. Insurance market concerns about wildfire risk are not unique to California. Insurers are also increasing rates or restricting coverage in Colorado, Washington and Oregon.

The PD provides insufficient funding for excess liability insurance by capping 2020 cost recovery at $386 million, an amount only slightly above 2018 premium costs, in this proceeding. It requires re-litigation of settled issues by requiring PG&E to file a new application for recovery of costs above $386 million. This ratemaking treatment is in sharp contrast to the Commission's approach for SDG&E and So Cal Gas. The Commission approved a two-way balancing account for actual insurance costs with an option to secure additional coverage by Tier 2 advice letter in SDG&E and SoCalGas' 2019 GRC (D.19-09-051).

PG&E stated that timely recovery of costs is important to improve and maintain its financial health. Slow cost recovery through new application litigation could threaten PG&E's already low, sub-investment grade credit rating. To address forecast uncertainty in some cost categories, the Settlement provides balancing account treatment coupled with a streamlined advice letter process to true up expenditures on a timely basis.

The PD's approach to require applications for recovery of actual liability insurance, wildfire mitigation capital expenditures and vegetation management in two-way balancing accounts may require PG&E to file up to nine applications over the three-year rate case cycle. This cumbersome approach is not necessary and is inconsistent with the Settlement agreed to by most parties. The PD should be revised to adopt the Settlement's cost recovery provisions, including for liability insurance. This can be done easily by modifying the text of the PD without the need to rerun the results of operations model.

Respectfully submitted,

/s/ Erik B. Jacobson

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