Application No: Exhibit No.:	A.09-08-019		
Witness:	Deborah Yee		
In the Matter of the Application of		)	
San Diego Gas & Electric Company (U 902 E)		)	A.09-08-019
for Authorization to Recover Unforeseen Liability			(Filed August 31, 2009)
Insurance Premium and Deductible Expense			
Increases as a Z-Factor Event.			
		)	

# PREPARED REBUTTAL TESTIMONY OF DEBORAH YEE SAN DIEGO GAS & ELECTRIC COMPANY

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

March 19, 2010



## 1 REBUTTAL TESTIMONY 2 OF DEBORAH YEE

#### ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

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#### I. PURPOSE

The purpose of my rebuttal testimony is to respond to the prepared direct testimony of Hendricks witness, Kevin Christensen.

#### II. REBUTTAL TO HENDRICKS

Witness Christensen, on page 19 of his testimony, incorrectly asserts that a "significant accounting incongruity" exists in SDG&E's accounting treatment of general liability premiums and wildfire premiums.

Capitalization of any cost is based on evaluating whether that cost is associated with construction activities or not. SDG&E's capital policy includes general liability insurance costs as one such cost associated with construction activities because it protects the company from claims associated with, among other things, the actions of its employees who are involved in capital activities. Consistent with its policy, SDG&E capitalizes a portion of general liability premiums to reflect a cost associated with employee actions. The portion of costs that is not capitalized is expensed over the term of the coverage.

Wildfire liability insurance coverage was purchased to protect against liability arising out of wildfire events and not the actions of SDG&E employees who are involved in capital activities. Accordingly, wildfire liability premiums did not match the company's capital policy of assigning such costs to its construction activities. Consistent with SDG&E accounting treatment for all insurance premiums, these premiums are expensed over the term of the coverage.

SDG&E's decision to expense 100% of 2009 incremental wildfire insurance premium is logical and reasonable. Similarly, capitalizing a portion of general liability insurance premiums, and expensing the remainder, is also logical and reasonable.

Witness Christensen has not identified an accounting incongruity, much less a significant one.

This concludes my rebuttal testimony.