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**SDG&E Comments on Aug 2 IEPR Workshop Climate Adaptation and Resiliency**

*Additional submitted attachment is included below.*



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August 17, 2018

**Subject: Comments on the 2018 Integrated Energy Policy Report (IEPR) Workshop on Climate Adaptation and Resiliency, Docket No. 18-IEPR-05**

Dear Commissioners Hochschild and Weisenmiller and others:

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to comment on the August 2, 2018 Joint Agency Workshop on Climate Adaptation and Resiliency. This workshop is part of the 2018 Integrated Energy Policy Report Update (IEPR) proceeding and was jointly sponsored by the California Energy Commission (CEC), the California Public Utilities Commission (CPUC), the California Natural Resources Agency, the Governor's Office of Planning and Research, and the Governor's Office of Emergency Services to discuss changes in the risk of wildfire due to climate change in California and how the energy sector can prepare.

In the last couple of years, SDG&E has experienced increased insurance procurement challenges. Historically, the insurance marketplace for utilities is generally limited. Insurers willing to provide liability capacity (particularly wildfire) have experienced significant losses within the United States and worldwide. For example, as part of our recent 2018 liability insurance renewal, we met with over 90 different insurance companies located in New York, London, Bermuda, Munich, and Zurich to review our risk mitigation strategies. Many underwriters complimented our risk mitigation efforts, but also expressed concerns with the California legal environment (particularly with respect to Inverse Condemnation), and their overall potential exposure to the 2017 catastrophic losses (particularly from wildfires) present significant challenges for them.

According to Allianz, the average length of wildfire season in the Western region of the United States has increased from 5 months in 1970 to 7 months today and the average number of large wildfires (greater than 1,000 acres) has increased from ~140 (1980 to 1989) to ~250 (2,000 to 2012) with 2017 being the "Worst California Fire Season in History."<sup>1</sup> Allianz goes on to report that five of the most destructive fires occurred in 2017 in California and estimates full

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<sup>1</sup> Allianz – Burning Issues, California Wildfire Review. This copyrighted document is available through the following website link,  
<https://www.agcs.allianz.com/assets/Global%20offices%20assets/United%20States/Allianz%20California%20Wildfire%20Review.pdf>

damages could be as high as \$180 billion. Potential mudslides that can result from a wildfire are creating additional insurer concerns. Allianz's preliminary assessment of the economic impacts of the Montecito mudslide shows residential property damages could cost up to \$204 million to fully repair or rebuild. Weather forecasts also are one of the factors they consider in their underwriting procedures. As an example, National Interagency Fire Center as of August 1, 2018 predicts Southern California<sup>2</sup> to "expect large fire potential to remain well above normal levels through the rest of the summer and into the fall due to the expectation of warmer than average temperatures."

To help mitigate the risk of program volatility, SDG&E has evaluated alternative forms of insurance and program structures. For example, as part of our 2017 liability renewal process, our insurance department successfully negotiated and secured 3-year agreements for approximately 50% of our total wildfire liability insurance program (subject to specific policy terms and conditions). While it is not possible to know the exact amount of savings we have achieved, it is reasonable to assume (based on 2018 wildfire insurance renewal results) that 2018 and 2019 wildfire insurance costs would be much higher absent those multi-year agreements. However, current market conditions indicate renewing those multi-year agreements will be challenging when they expire in 2020, especially if the frequency and severity of large wildfires continues to increase.

SDG&E would like to thank the CEC for the opportunity to submit these comments and looks forward to engaging with the CEC and other stakeholders throughout this process.

Sincerely,

*/s/ Tim Carmichael*

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<sup>2</sup> [https://www.predictiveservices.nifc.gov/outlooks/monthly\\_seasonal\\_outlook.pdf](https://www.predictiveservices.nifc.gov/outlooks/monthly_seasonal_outlook.pdf).