



DIANNE JACOB

SUPERVISOR, SECOND DISTRICT
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March 23, 2010

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The Honorable Timothy Alan Simon, Commissioner
California Public Utilities Commission
505 Van Ness Avenue, Room 5213
San Francisco, CA 94102

Dear Commissioner Simon:

As the elected Second District Supervisor of San Diego County, I represent thousands of residents directly impacted by the devastating firestorms of 2007. On behalf of these residents and all ratepayers in my district, I strongly object to San Diego Gas and Electric's (SDG&E) request to charge ratepayers for higher insurance premiums due to the firestorms (A.09-08-019).

While justifiable for a regulated utility to pass along the *reasonable* cost of doing business to ratepayers, the current proposal is not reasonable. The proposal ignores the causes of the 2007 fires and unfairly asks ratepayers to shoulder the financial burden of the utility's errors.

As the Commission is aware, the "after action" report for the 2007 Guejito, Witch and Rice fires conducted by the Consumer Protection and Safety Division of the CPUC determined that SDG&E violated CPUC safety rules.

In the case of the Guejito fire, the report concluded that minimum inspection requirements were violated. In the case of the Witch Fire, inspectors discovered SDG&E infrastructure "did not have minimum separation as required" by existing regulations.

The cause of the Rice Fire in Fallbrook was especially flagrant. On July 18, 2007, an SDG&E contractor reported a sycamore tree growing into wires and ordered it be trimmed. SDG&E ignored the order. Three months later, a falling branch from the very same tree touched off the Rice Fire.

If the Commission were to approve the increase, public utilities would have a disincentive to properly maintain their infrastructure. The burden to ensure safe equipment would be thrust unfairly upon ratepayers. As a matter of strong public policy, the Commission must deny the proposal, thereby encouraging utilities to obey safety regulations.

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Small businesses, consumer advocacy groups and the Commission's own division of Ratepayer Advocates are opposed to the increase and have raised concerns about the strength and accuracy of SDG&E's documentation in support of the increase.

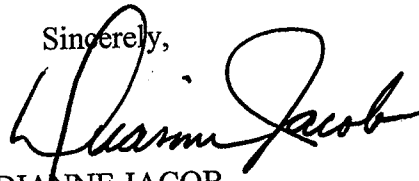
In documents filed with the Commission, the Division of Ratepayer Advocates has stated that SDG&E has yet to provide insurance invoices that reflect the need for the increase. The division is requesting an internal audit of SDG&E figures.

In addition, consumer advocacy groups allege that SDG&E did not aggressively pursue avenues that could result in lower insurance costs, such as pooling insurance purchases with other utilities and asking the State Department of Insurance to investigate unjustified premium increases.

SDG&E's parent company, Sempra Energy, has demonstrated that it can afford to shoulder the current costs of increased insurance premiums. Sempra Energy buys insurance for SDG&E. In 2008, Sempra Energy awarded its top five executives \$29 million in bonuses, a figure that mirrors the amount of the increase sought by SDG&E.

For the reasons outlined above, I urge the Commission to reject SDG&E's proposal and stand firm with those directly impacted by the 2007 firestorms in demanding safer utility infrastructure.

Sincerely,



DIANNE JACOB
Supervisor, Second District