



**COUNTY OF LOS ANGELES**  
**Internal Services Department**  
 1100 North Eastern Avenue  
 Los Angeles, California 90063



United We Stand

JOAN OUDERKIRK  
 Director

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April 2, 2002

**ADOPTED**  
 BOARD OF SUPERVISORS  
 COUNTY OF LOS ANGELES

The Honorable Board of Supervisors  
 County of Los Angeles  
 383 Kenneth Hahn Hall of Administration  
 500 West Temple Street  
 Los Angeles, CA 90012

**57**

**APR 16 2002**

*Violet Varona-Lukens*  
 VIOLET VARONA-LUKENS  
 EXECUTIVE OFFICER

Dear Supervisors

**FILING OF LAWSUIT AGAINST CALIBER ONE INDEMNITY COMPANY  
 ALL DISTRICTS – 3 VOTES**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Authorize County Counsel to file a lawsuit against Caliber One Indemnity Company (Caliber One), PMA Reinsurance Company, and related agents and/or brokers to collect proceeds from an insurance policy covering penalties incurred as a result of the Southern California Edison (SCE) I-6 Interruptible Service Program.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

SCE's I-6 Program was offered to large users of electricity that were capable of reducing their electrical load during critical times. It resulted in lower charges if the user agreed to lessen electricity usage during certain defined shortage periods or pay penalties. The County entered into this program in 1996.

Separately, the County entered into an insurance policy for the period of March 1, 2000 through March 1, 2001, whereby the County would be reimbursed for penalties assessed by SCE should the County not lessen its electricity usage at facilities included in the I-6 Electricity Rate Program. Caliber One issued the insurance policy with aggregate policy limits of \$5,000,000. PMA is the guarantor of the insurance policy.

During the summer of 2000, SCE implemented a number of I-6 penalty periods. Various County facilities including, but not limited to, hospitals, jails and courthouses were unable to sufficiently reduce electricity usage to avoid the assessment of penalties. The County incurred penalties totaling approximately \$4,700,000. Additionally, in order to avoid further penalties, the County opted out of the I-6 Program at a cost of approximately \$500,000. Pursuant to the insurance policy, the County

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A favorable resolution would enable the County to collect an additional \$2,500,000 for losses incurred and potentially the County would be able to recover prejudgment interest, punitive damages and attorneys' fees.

**CONCLUSION**

Your Board's approval of the recommended action will allow Internal Services Department to pursue monies owed the County.

Respectfully submitted,



Joan Ouderkirk  
Director

JO:SC:dm  
c: Chief Administrative Office  
Executive Offices, Board of Supervisor  
County Counsel