

BPA Response to STUAC16 0001 in the FY2016 Cost Verification Process (CVP)

By letter dated December 9, 2016, Industrial Customers of Northwest Utilities (ICNU) submitted comments for inclusion in BPA's Agreed Upon Procedures (AUPs) for BPA's review under section 2.7.5.1 of the Tiered Rates Methodology (TRM) and Attachment A procedures. Under Attachment A, section 1 of BP-12-A-03, AUPs are defined as services that fall under the category of miscellaneous financial services provided to BPA by an external auditor that are covered contractually between BPA and an external auditor. AUP's are governed by AT Section 201 of the AICPA professional standards. In an AUP engagement, the external auditor issues a report of findings based on specific procedures performed on a subject matter. The auditor does not perform an audit, examination or review and does not provide an opinion or negative assurance.

ICNU is a trade group of retail consumers served by electric utilities in the Pacific Northwest. ICNU and its members are not BPA customers holding a CHWM Regional Dialogue power sales contract. BPA published its final Slice True-Up Adjustment for FY 2016 and invited comment. ICNU provided comments submitted as part of the Cost Verification Process (CVP) that follows BPA's True-up Adjustment. But the issues ICNU raised in the comments address the future treatment of BPA's costs and the modeling of debt management actions which are the subject matter of the current ongoing section 7(i) general rate case, BP-18. ICNU's comments request that an audit be performed on certain BPA decisions, policies and cost treatments regarding Regional Cooperation Debt and BPA amortization and refinancing issues. Neither the TRM nor BPA's contracts with its utility customers allow for such an audit of BPA policy or financial decisions. The AUPs under the CVP are of limited scope and are not subject to requests to conduct a general review or specific audit by a third party auditor. No decision or determination as to the matters raised by ICNU will be made as part of BPA's CVP for the Slice True-Up Adjustment of FY 2016.

Under Section 2.7.5.1 and Appendix A of the Tiered Rates Methodology, a BPA customer can assess whether BPA has calculated the amount of each expense or revenue credit which is subject to adjustment, and the inclusion or exclusion of such adjustment from the Slice rate. Customers are not allowed to raise issues decided in a section 7(i) proceeding or dispute BPA's accounting practices, policies or standards, nor BPA's management decisions or policies. Importantly under section 2.7 and Appendix A, only BPA customers, that is, entities that hold a CHWM Regional Dialogue power sales contract with BPA, are able to raise an issue for AUPs to be performed by BPA's auditor. ICNU's request is beyond the scope of the CVP since ICNU is not a customer of BPA requesting AUPs under section 1 or 2 of Appendix A.

Thank you for your letter. We appreciate the concerns and issues raised in ICNU's comments. ICNU's comments raise policy and accounting issues that are beyond the scope of the CVP and are best addressed, as appropriate, in the BP-18 rate proceeding or BPA financial forums, such as the Quarterly Business Review forum.