

Straw Proposal Error Correction Process

Ian Hunter, Transmission Policy Analyst

Snohomish PUD No. 1

May 6, 2016

Problem Statement

2

- BPA does not have a consistent process in place to address computational math errors discovered during a rate period
- BPA has a complicated rate setting process where the source of the error is typically inputs or worksheet calculations
 - Errors are therefore computational in nature
 - Applies to both Power and Transmission

What prompted this proposal?

3



Background

- During FY2014, BPA rates staff announced it had discovered a computational error in the allocation of costs between transmission segments.
- BPA did not pursue relief or correction for this error at the conclusion of BP-16.
- This error affected both BPA Power and Transmission rates.
- Snohomish overpaid approximately \$1 million in BPA transmission rates than it otherwise would have.

Background

5

- During BP-16 BPA Power also discovered an improper allocation of costs between the Tier 1 Composite and Non-Slice cost pools.*
- Error originated in FY2012-13 and continued through FY2014-15.
- In the BP-16 Final Record of Decision, BPA stated it would collect approximately \$3M from Slice customers to correct the improper allocation.
- Snohomish observed no consistency in BPA's process or treatment in addressing the above mentioned errors.

*WNP-3 Settlement addressed in BP-16-E-BPA-01, Section 3.1.6.5, PFp Slice Billing Adjustment

Straw Proposal: General

6

- Establish criteria, scope and method by which BPA will take action to correct an error
- Criteria, scope and method created through public process or BPA pre-rate case workshops.
- Process occurs only in cases where cause of error is clear and rooted in a:
 - Technical mistake
 - Miscalculation
 - Improper implementation of established rate making procedure

Straw Proposal: Scope and Criteria

- Errors that meet such criteria may include:
 - Improper cost allocations
 - Math errors in rate calculations
 - Transposition errors in models or worksheets
- Error Correction Process would not apply to:
 - Inaccurate forecasts
 - Higher or lower than anticipated revenues
 - Changes in other economic variables
- BPA would not be prevented from addressing errors that do not fall into the scope of the Correction Process

Straw Proposal: Correction Process

8

- Upon discovery of the error, and confirmation that its cause is rooted in a technical mistake, BPA would identify the impact the error has on customers
- If either of the following two criteria/thresholds are met, BPA would take action to correct the error:
 - If any customer has a financial net impact greater than 2% of their total error-specific business line forecasted annual bill
 - If the aggregate effect on all customers is greater than (or forecasted to be greater than) \$10 million in total, per fiscal year

Straw Proposal: Error Correction 7(i) Process

9

- If the error meets either criteria, BPA would take action to correct the error and make affected customers whole via an abbreviated 7(i) proceeding
 - Specific mechanism for making customers whole would be decided on a case-by-case basis, depending on the size and nature of the error
 - Because BPA must hold a 7(i) to change rates, the mechanism can be discussed during that process
 - BPA should also differentiate treatment for errors that affect all customers equally, and errors that have disparate effects on customers

Straw Proposal: Error Correction Process Timing

10

- Depending on the timing of when an error is discovered, there may not be sufficient time to hold even an abbreviated 7(i) proceeding
 - In these cases BPA should exercise discretion to address the error at the next “regularly scheduled” 7(i) process
 - Prior to the 7(i), BPA would hold customer workshops whenever possible to collaborate with customers and establish a preliminary approach prior to *ex parte*

Next Steps

11

- Stakeholder comments are encouraged
 - What aspects of the proposal do you support? If you do not support the proposal, what are your primary concerns?
 - Should Power errors and Transmission errors have different criteria / customer impact thresholds?
 - How far back should the Error Correction process apply? Should it depend on the magnitude of the error?
- Regional discussions following comments
- BPA staff position with input of stakeholder comments and regional discussions

Questions?

12

If you have any questions, please do not hesitate to contact me

Ian Hunter

Snohomish PUD

irhunter@snopud.com

(425) 783 - 8309