Error Correction Proposal Update

Ian Hunter, Transmission Policy Analyst

Snohomish PUD No. 1

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What is the issue?

- ▶ 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 worksheet calculations
  - ▶ Errors are therefore computational in nature
  - ▶ Could affect both Power and Transmission

Review of Original Straw Proposal

- 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.
- **Scope –** Process would occur only in cases where cause of error is clear and rooted in a:
  - Technical mistake
  - Miscalculation
  - Improper implementation of established rate making procedure
- Process is intended to give customers some certainty in process when errors are discovered
  - Functions as an option of "last resort" if a negotiated solution cannot be agreed upon

Error Correction 7(i) Process

- If the error meets specific criteria, customers could request BPA 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

General Feedback

- Feedback includes written comments from one stakeholder and verbal feedback received during the previous May 6th presentation

- General support from customers that BPA should have a consistent policy for dealing with Errors

  - If BPA agrees to a process, it should focus on calculation errors

  - Criteria should at least include a percentage based factor to include customers with smaller revenue requirements

  - Customers have hesitation about changing rates to address previous errors

  - If a 7(i) is going to be the mechanism for correcting an error, the error should be of sufficient size to justify the time and cost

Revised Straw Proposal Thresholds

- **Original -** Customer could request Error Correction when:
  - There is 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, on average per fiscal year

- **Revised -** Customer could request Error Correction when:
  - There is a financial net impact greater than 5% 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) $15 million in total, on average per fiscal year

Revised Timing of Eligible Errors

- **Original –** No explicit limit on correction of errors

- **Revised** – Errors could only be corrected for current rates, or if current rates cannot be corrected in time, in the next 7(i) process

Example:

- If an error in current rates were discovered now (June 2016), BPA could hold an abbreviated 7(i) to have a fix in place by Oct. 1, 2016

- If the error were discovered in current rates at this time next year (June 2017), the correction would be built into the BP-18 Rate Case

- If an error were discovered in current rates after the BP-18 Rate Case, customers could not compel BPA to make a correction
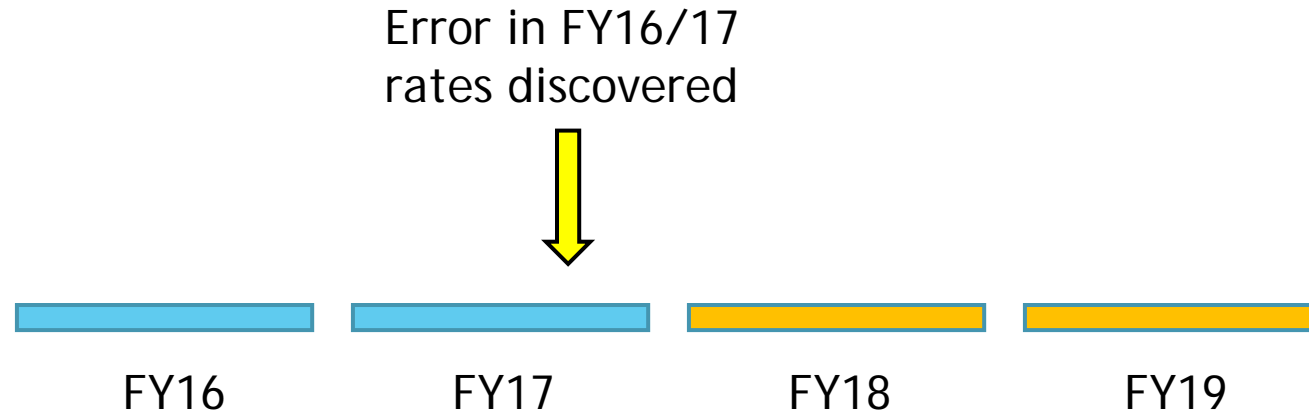
Visual Timing Example 1
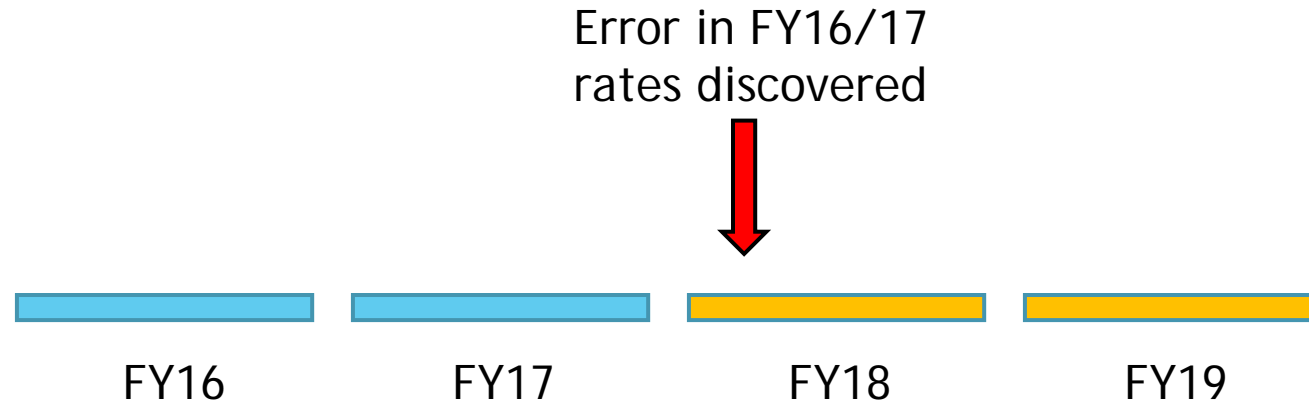
Error in FY16/17
rates discovered

↓

| FY16 | FY17 | FY18 | FY19 |
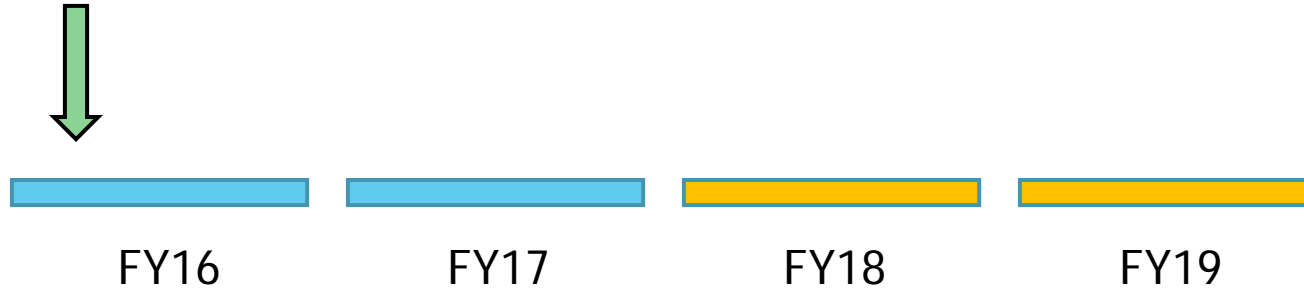
- An error discovered early in the rate period could be corrected by a special 7(i) process

- Fixes current rate period, minimizes effect of error on customers

Visual Timing Example 2

Error in FY16/17
rates discovered

FY16   FY17   FY18   FY19

- An error discovered late in the rate period would be too late to adjust via a special 7(i); the "damage" is already done

- Error would be corrected in the FY18/19 Rate Case, with the correction potentially "built into" FY18/19 rates

  - Would not "reach back" and affect past customer budgets/decision, only rates going forward with the aim of making affected customers whole

Visual Timing Example 3

Error in FY16/17
rates discovered

FY16   FY17   FY18   FY19

- ▶ Errors in FY16/17 rates discovered after FY18/19 rates have gone into effect are not eligible for customer error correction

- ▶ Would not preclude BPA from implementing a correction of their own

Next Steps

- Allow BPA staff to evaluate the revised Straw Proposal and provide feedback

- Continue comment period for customers and stakeholders

- Receive BPA feedback and pursue regional consensus at future workshop

Questions?

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

Ian Hunter

Snohomish PUD

irhunter@snopud.com

(425) 783 - 8309