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TACOMA PUBLIC UTILITIES

August 24, 2016

**VIA EMail**

Tech Forum  
Bonneville Power Administration  
P.O. Box 14428  
Portland, OR 97293  
techforum@bpa.gov

RE: Comments on Risk and Error Correction

Tacoma Power thanks BPA for the opportunity to submit comments in response to the BP-18 rate setting process. In particular, we would like to address two items presented by BPA at its August 10<sup>th</sup> workshops.

*BP-18 Risk*

Tacoma Power favors the allocation of costs consistently with cost causation; accordingly, we believe products entailing a higher degree of risk should bear the costs associated with managing those risks as contemplated by the risk allocation approach. However, we acknowledge the limitations of precisely allocating risks and appreciate the practical benefits of risk aggregation as presented by BPA staff. Our primary objective is a balanced and reasonable allocation of BPA's risk and costs.

As for the application of these risk management approaches to Ancillary and Control Area Services (ACS), we believe it would make sense for purchasers of these services to participate in the Cost Recovery Adjustment Clause (CRAC) to the extent unforeseen costs at the projects supporting the services drive the CRAC. However, these same customers should be insulated from other power costs unrelated to the projects, such as a shortfall in net secondary revenues. We recognize the difficulties of achieving such a nuanced approach but believe it would result in the fairest allocation of risk and costs.

*Error Correction*

We greatly appreciate the efforts of Snohomish County PUD to establish a framework for dealing with past errors that occur in the rate setting process. We also recognize the need for certainty once rates have been formally adopted in the formal 7(i) process. In our view, Snohomish's proposal goes a long way towards meeting these twin objectives. Nevertheless, we agree with the critique that the established correction process needs to balance certainty with some preservation of discretion, and is not unduly burdensome for either customers or

BPA. We support BPA staff's approach to move forward with a modified framework that incorporates the feedback of customers as well as its own for the BP-18 initial proposal. It is our hope that BPA staff's investment of time in the development of the guidelines will yield dividends in future rate periods when new errors inevitably occur.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'N. Garcia', with a long, sweeping horizontal flourish extending to the right.

Nicolas Garcia  
Assistant Power Manager