



*Your Northwest renewables utility*

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Submitted via Tech Forum (techforum@bpa.gov)

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Subject: Comments of Public Utility District No. 1 of Snohomish County on  
Bonneville Power Administration's Error Correction Process Proposal Response

Dear Ms. Fredrickson;

Public Utility District No. 1 of Snohomish County (Snohomish) appreciates the opportunity to provide comments on the Bonneville Power Administration's (BPA) response to the Error Correction Process proposal. Snohomish also appreciates the attention that BPA staff has given the topic and the work that has gone into BPA's response. However, Snohomish has concerns with BPA's response. These comments address the general principles behind Snohomish's Error Correction Process proposal, the threshold for correction, the idea of a policy versus guidelines, and the timeline for correction.

### **General Principles**

When Snohomish crafted the Error Correction Process proposal, it was in response to a lack of certainty regarding the treatment of errors by BPA - both in the ratemaking processes and across BPA's business lines. It was also intended to act as a backstop for customers to require BPA to consider such errors and their effect on customers' finances. The proposal was not intended to limit BPA or otherwise impose limits on when BPA may take action; to clarify, Snohomish's proposal was designed to allow customers to initiate a correction when certain thresholds were met.

BPA should not interpret the proposed thresholds to initiate a correction as a sign that BPA should take no action if errors result in lesser impacts. To say that customers only want errors corrected when there is a large or significant financial impact is a mischaracterization of the proposal. Rather, the intent of the Snohomish proposal was to protect customers from disparate treatment and against significant financial impacts. The proposal BPA outlined during the August 10, 2016 presentation, could potentially harm customers rather than protect them because it imposes such high thresholds.

### **Error Correction Threshold**

The Snohomish proposal set a high threshold (\$15 million annual average during a rate period) for customers to initiate the Error Correction Process. This threshold was only set high for one reason: the proposed Error Correction Process included provisions for a special 7(i) process to fix errors. Customer feedback during earlier workshops was that any 7(i) process outside the normal two-year cycle is a costly and time-intensive effort, therefore the bar to initiate the process should be set sufficiently high.

In BPA's proposal, the special 7(i) provision has been removed, with potential errors being addressed within the regular two-year cycle.

**Because a special 7(i) process associated with correcting the errors is no longer planned, Snohomish recommends that the threshold be lowered to a million dollar (\$1M) average impact.** This represents a \$2M overall error for the rate period, which Snohomish believes is large enough to build into the regular two-year process.

Snohomish is also concerned that BPA's proposal does not address errors that could impact smaller customers. By using a static threshold as BPA has proposed, errors affecting smaller customers could go uncorrected indefinitely, while creating significant financial impact. Snohomish suggests an impact-based metric be considered and proposed by BPA staff. While Snohomish's proposed percentage based on a customer's total forecasted annual business line bill may not be a metric viewed to be appropriate by BPA, another metric must be adopted to maintain parity in correcting errors for both BPA's large and small customers.

### **Guideline versus Policy**

In its original proposal, Snohomish recommended BPA adopt the Error Correction Process as a policy from the Administrator. Again, this recommendation was based on protecting the customer's interest and would not bind the Administrator's actions in correcting other errors, but would prescribe action in the limited circumstances laid out in the Process criteria. Ultimately, because the Error Correction would result in a 7(i) process, the Administrator would maintain full decision-making authority, but customers were guaranteed that the Administrator would at least consider the correction.

Because BPA's proposal does not rise to the level of a policy, and is intended to provide guidelines to BPA staff, the proposal appears more restrictive on customers than the status quo. Currently, when any error is discovered, BPA staff brings the error to the attention of customers and there is regional discussion and debate as to whether the error would be corrected. The position of BPA staff is uncertain, and typically follows customer feedback on a case-by-case basis. In the case of guidelines, BPA staff would automatically recommend that it not correct any error unless it reached specific thresholds.

It is Snohomish's goal to ensure that the Administrator considers correcting errors that have financial consequences and impacts on its customers, and that the process is consistent in its approach when choosing which errors will and won't be considered for correction. The guidelines fulfill these goals only if the BPA's proposed threshold is significantly reduced. If the threshold remains artificially high as described above, BPA staff may recommend not correcting the vast majority of errors, effectively removing them from consideration. Snohomish does support the idea of guidelines over a policy only to the extent the threshold for consideration is reduced to \$1M as recommended in the "Error Correction Threshold" section.

### **Error Correction Timeline**

BPA does not contemplate a special 7(i) process to correct errors within a rate period in its response. Snohomish interprets this to mean that the first opportunity to correct errors for the current rate period would be during the next regular 7(i) in the two-year rate period cycle. This would effectively change rates in the next rate period to provide relief to the affected customers. In application, if an error is

discovered early in the first year of the rate period (or even after the final Record of Decision but before rates go into effect) and does not meet the \$15M threshold, customers have no recourse or relief and pay rates to BPA that are known to be incorrect for the next two year rate period. Even if the error meets the guideline threshold, there is no guarantee that corrective action will be taken in the next rate period's rates. A strong first step is to reduce the correction threshold. Snohomish also recommends BPA engage with customers to find a solution for this situation where rates could be corrected early in the rate period, before two years of erroneous costs are incurred.

Snohomish wonders if the special 7(i) is too costly and time intensive then, are there other options BPA would consider for providing relief to customers? Could an "Error Adjustment" line item be built into rates or the General Rate Schedule Provisions, fluctuating as needed to correct errors on an ongoing basis, thus obviating the need for both a special 7(i) and an altered rate in the next rate period? While Snohomish does not formally recommend this idea, the thought is provided here as a springboard to spur future brainstorming. Snohomish recognizes this question may not be answered in this rate period and urges BPA to both reduce the correction threshold as described above and continue discussion for other alternatives to reach resolution on this issue.

### **Conclusion**

Snohomish once again would like to thank BPA staff for the attention and effort paid to its Error Correction Process proposal. Errors are a natural part of any endeavor, but the enactment of this process would provide customers with some certainty as to how errors will be addressed in the future. Snohomish looks forward to continuing these discussions and finding a mutually agreeable solution among both customers and BPA.

Sincerely,

*/s Ian Hunter*

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