

August 24, 2016

PacifiCorp
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Bonneville Power Administration
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Re: PacifiCorp's Comments on August 10, 2016 BP-18 Rate Case Workshop Error Correction Presentation and Discussion

On August 8, 2016, PacifiCorp submitted comments expressing general support for the concerns noted by Snohomish PUD No. 1 ("Snohomish") during its error correction proposal presentation and the subsequent customer discussion during the June 29, 2016 rate case workshop. In short, like Snohomish and other BPA customers, PacifiCorp is concerned that BPA does not appear to have a clear error correction process, which puts customers at risk of being subject to arbitrary and capricious lump sum retroactive error correction decisions. PacifiCorp noted that it looked forward to BPA staff's presentation on this topic, and requested that BPA explain its current error correction process, as well as the statutory or other basis for the same. PacifiCorp also requested BPA provide examples of previous instances of BPA error corrections and the justification for BPA's chosen approach in those instances.

On August 10, 2016, BPA staff gave a presentation on this topic and expressed many of the same concerns as its customers, including the need for consistency in its error correction process. As a solution to this problem, BPA staff discussed the potential development of guidelines that staff could follow in making error correction recommendations to the BPA Administrator. With respect to the general framework of error correction guidelines, BPA staff's initial leanings include:

- Potential error corrections would be evaluated in accordance with the new guidelines in the context of a BPA general 7(i) rate case process (rather than in a "mini" rate case as suggested by Snohomish), where staff could openly and transparently propose error correction treatment to the rate case parties and the BPA Administrator.
- There would be a high bar for review of errors. Staff suggested that the size of an error on all customers would need to exceed an annual average of \$15 million for the rate period in order to be eligible for correction.
- Corrections—if they occur—would be limited to one rate period and effectuated prospectively in future rates (rather than in a lump sum). BPA staff explained, for example, if an error of appropriate magnitude is discovered in BP-14 and BP-16 rates, only BP-16 rates would be corrected, and the correction would come in the form of an upward or downward adjustment to future rates in the next general rate case (which was BP-18 in BPA staff's example).

- Adjustments would be rate class, not customer, specific.

BPA is now seeking comments on several issues from the August 10, 2016 BP-18 rate case workshop, including those described by BPA as follows:

- “The error correction guidelines BPA staff presented at the BP-18 Rate Case Workshop on August 10 and the customers’ preference on whether BPA should adopt error correction guidelines, adopt an error correction policy, or preserve status quo.”

PacifiCorp commends BPA staff for recognizing the need for consistency and fairness on this issue. As PacifiCorp considers BPA’s specific question of “whether BPA should adopt error correction guidelines, adopt an error correction policy, or **preserve status quo**,” PacifiCorp would like to better understand BPA’s current error correction approach. To that end, PacifiCorp reiterates its August 8, 2016 requests that BPA: (1) explain its current error correction process in detail, including the statutory or other basis for the same; and (2) provide examples of previous instances of BPA error corrections and the justification for BPA’s chosen approach in those instances.

In addition, PacifiCorp would like to better understand BPA staff’s preliminary proposal for potentially replacing the status quo, and has the following questions in that regard:

1. BPA staff explained that the potential guidelines would apply to “ministerial cost allocation and calculation errors,” but not “forecast error, contested issues, or other issues that are not the result of a calculation, mathematical, or administrative error” or “issues that are [the] subject of litigation.” Could BPA please provide more detail about how it proposes to define all of the referenced terms? And please explain why BPA would propose *not* to follow consistency/fairness guidelines for most, if not all, types of error corrections?
2. BPA staff repeatedly emphasized the need for the BPA Administrator to retain full discretion to decide if and how an error will be addressed, and that the potential new staff guidelines would place no limits on the Administrator’s flexibility in this regard. Please describe the statutory or other basis for the BPA Administrator’s discretion to correct errors.
3. BPA staff suggested that whatever the Administrator decides in a rate case could establish a precedent. Has BPA staff considered prior rate case decisions discussing past error corrections during its development of the potential guidelines? If so, which ones?
4. Has BPA staff considered any other federal or state regulatory error correction policies, or BPA tariff provisions, business practices, policies, manuals, or other documents during its development of the potential guidelines? If so, which ones?
5. With respect to BPA policies in particular, can BPA staff please explain how it would reconcile: (1) its initial leanings described above, including the single rate period maximum timeframe for error corrections; with (2) its Internal Customer Support Services Contracting Policy entitled “Retroactive Billing Adjustment Six Year Limit,” setting forth the BPA “six year limit for retroactive billing adjustments.” (Available at: <https://www.bpa.gov/news/pubs/Policy%20Library/Retroactive%20billing%20Adjustment%20Six%20Year%20Limit%20Policy.pdf>)