

To: Daniel Fisher, BPA Power Rates Manager
From: Aleka Scott, PNGC Power
Re: Comments Regarding Transmission Risk Mitigation and Error Correction Proposal
Date: August 23, 2016

PNGC Power appreciates this opportunity to submit these comments to BPA. PNGC Power holds an NT contract that provides load service to its 15 rural electric distribution cooperative members.

Transmission Risk Mechanisms

BPA has asked how a Power Cost Recovery Adjustment Clause (CRAC) might impact transmission rates. Transmission rates that depend on generation inputs are the Ancillary and Control Area Service (ACS) Generation inputs are by nature volatile and uncertain. Transmission rates, such as PTP and NT, are fundamentally different. These rates collect costs associated with largely fixed, long-term assets and associated O&M of these assets; these costs are predictable and very stable. Therefore, it does seem entirely appropriate to use a "risk allocation" approach that would tie recovery of a Power CRAC to the transmission ACS rates that use generation inputs. PNGC does not support an increase in Network rates or a CRAC that would apply generally to Network rates as a way to mitigate for the uncertain and volatile nature of generation inputs for ACS products.

Error Correction Proposal

Staff presented its leanings on Snohomish's error correction proposal at the August 10, 2016 workshop. PNGC agrees with BPA staff that error correction guidelines are a better approach than a more rigid policy. We do not believe that the guidelines need to be developed in a formal 7(i) hearing.

We submit these particular comments regarding any error correction guidelines.

- Guidelines apply to ministerial matters and calculation errors only.
- In general, an error should exceed \$5 million/FY for consideration for error correction. Because the correction is only implemented prospectively in an already established rate proceeding, there is no reason not to correct errors of this magnitude. However, BPA should also consider the impact to a particular rate that is the subject of an error. If an error under \$5 million causes at least a 2% error to a particular rate, BPA should consider correcting this error. This accounts for the fact that \$5 million in the power rates is likely to have a much less discernable impact than a \$5 million error in a rate with far fewer billing determinants, for example, GTA Delivery charge.
- Only one rate period's error amount is eligible for correction by inclusion in the next rate period's rates.
- Prospective correction only; no retroactive corrections. This achieves rough justice, not perfect justice.
- Rate schedule level adjustments would be the most granular correction.
- Customers should not be precluded from asking the Administrator to correct an error even if it falls outside of these guidelines or contradicts staff's guideline-informed

recommendation. This allows customers who have error grievances that are significant to them to have access to relief through prospective rate correction.