

March 15, 2019

Via Email (communications@bpa.gov)

U.S. Department of Energy
Bonneville Power Administration

Re: Questions of Avangrid Renewables, LLC, PacifiCorp, Idaho Power Company and M-S-R Public Power Agency on the Financial Reserves Review

Avangrid Renewables, LLC, Idaho Power Company, PacifiCorp and M-S-R Public Power Agency (collectively “Commenting Parties”) hereby submit the following questions arising from the Bonneville Power Administration (“BPA”) Financial Reserves Workshop (the “March 11 Workshop”) and respectfully request that BPA delay any resolution or correction until a full and complete review process has been concluded.

- 1) Please explain why BPA determined that the attribution to Power Services was an error rather than an intentional decision to, for example, minimize a tedious and/or manual process.
 - a) Please provide any documentation or communications concerning the agency’s decision to create the business unit split model in or around 2002—including but not limited to guidelines or instruction manuals, auditing and/or validation of the data produced by the model.
 - b) Please provide any documentation or communications concerning the agency’s decision to automate the processes associated with the business split model in or around 2015—including but not limited to guidelines or instruction manuals, auditing and/or validation.
 - c) To the extent that BPA cannot find any information supporting the questions above, please explain why it was BPA’s initial position to make Power Services whole rather than investigate why the system appears to have repeatedly, perhaps intentionally, been set up this way.

- 2) Please provide more information explaining who developed the IPAC module as opposed to who developed BPA’s internal attribution process and/or application(s).
 - a) Was the IPAC module modified or configured for BPA’s use? Did BPA have the option to require any information before the release of funds was allowed? For example, could BPA have required a business-line code (P, T, C) be entered by other governmental agencies requesting payment, or the approval of any such code before allowing payment?
 - b) Is BPA aware of any other governmental agencies that use the IPAC module in the way BPA described at the March 11 Workshop, namely that money is taken without required coding, etc.? Please provide any documentation or communications concerning the same.
 - c) Was BPA’s manual attribution process done in Excel format? If so, please describe the development of that process, who was involved, how long the process took to develop,

who approved the process, etc. Please provide any documentation or communications concerning the same.

- 3) Please provide the monthly reports BPA has relied upon to calculate the business line splits.
 - a) Please provide the documentation regarding the 2002 and 2003 attributions that BPA has described as summary reporting.
 - b) Please also provide a thorough description of the workers' comp IPAC payments, including the number of payments made annually and where the premiums are booked.
 - c) In the March 11 Workshop, it was explained that all workers' comp payments are allocated to (or directly assigned to) transmission rather than split between business units. Please describe if these expenses include premiums and/or payments for claims. Please explain in detail why the payments are allocated in this manner.
 - d) Are there other workers' comp payments that are made outside of IPAC? Please explain how those payments are treated.
 - e) Please explain how BPA has validated the attribution of the different transaction types in IPAC, and whether there are any other attribution changes that BPA is considering at this time. For example, please explain why 80% of GSA fleet costs are attributed to transmission and 100% of workers' comp costs are attributed to transmission?

- 4) Please provide any documentation or communication concerning the \$16.2 million manual allocation to Transmission Services in FY 2010.
 - a) Who determined a manual allocation was necessary and/or appropriate?
 - b) What was the underlying transaction or cost item?
 - c) Was there any approval needed for the manual transaction?
 - d) Was there any discussion about addressing the way attributions were generally handled at that time, i.e., in or around 2009 or 2010 or otherwise?

- 5) Please explain with more detail the timing of when and how this issue came to light at BPA.
 - a) Please provide any documentation or communications that identify exactly when BPA first realized the IPAC module was being attributed to only one business line—either in 2010, 2018 or otherwise.
 - b) Please provide any documentation or communications that identify exactly when BPA first determined the IPAC module attributions should be corrected.
 - c) At any time did BPA decide not to address the attribution issue, i.e. to delay until more was known about the issue or otherwise? Please explain.
 - d) Were any of the TC-20 or BP-20 settlement team aware of the attribution issue while working on the TC-20 or BP-20 settlement package? Please explain.
 - e) Were any of the TC-20 or BP-20 settlement team aware of the attribution issue while working on supplemental testimony? Please explain.

- 6) Please explain with more detail why BPA decided to resolve the IPAC attribution issue before fully completing the attribution review.
 - a) Because the IPAC issue has been going on for nearly two decades, has BPA considered any options that would allow it to fully understand the extent of the attribution problems before moving forward with a solution? For example, using the unadjusted numbers until the third-party review has been completed and/or vetted by stakeholders. Please explain.

- b) Given that BPA's own internal audit changed the attribution amount from approximately \$200 to \$300 million in recent weeks, would BPA consider allowing a more thorough third-party audit, rather than limiting the third party to a review before moving forward with a solution? Please explain.
 - c) Given statements made that the "real" error was not validating the manual and/or automatic processes, has BPA considered any other, perhaps more equitable remedies for making Power Services whole while holding Transmission Services harmless? Please explain.
- 7) Please explain BPA's approach to determining the different interest calculation options.
- a) Please provide any documentation or communications explaining the change from the interest offset credit to market based specials described in the March 11 Workshop. Is BPA able to determine which interest rate the annual allocations actually earned? If so, please provide that information. If not, please explain.
 - b) Please also explain why Transmission Service and Power Service have had different forecasted interest rates since 2004, provide each of those annual forecasts, and indicate which rates BPA proposes to use from each of the various applicable rate cases.
 - c) Please explain why BPA's "initial leaning" is that Power Service's interest rates should be used rather than what the agency actually earned or what Transmission Service's interest rate would have been. Is it BPA's intent to credit Power Services for the amount they *should* have earned? If so, why should Power Services earn anything other than the interest actually received by the agency?
 - d) Please explain the extent to which BPA took into account deferred borrowing. Please also explain why BPA determined it may be "outside of the bound".
- 8) Please confirm and explain in more detail the agency's plan regarding the third-party review and correction.
- a) Please confirm and/or explain whether BPA intends to provide the report from the third-party review to stakeholders.
 - b) Please confirm and/or explain whether BPA intends to invite the third-party reviewer to the May meeting with the stakeholders.
 - c) Please confirm and/or explain whether BPA intends to allow stakeholders to comment on the third-party review after it has been concluded.
 - d) Please explain BPA's position that it is seeking a third-party review as opposed to an audit. Would BPA consider allowing stakeholders input into the scope of the third-party review? Please explain.