

Questions Submitted from : Joe Lukas
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BPA Staff: thank you for the information provided at the July 16 Financial Reserves workshop. It was a helpful description of your work to identify the accounting errors resulting in impacts to business line financial reserves amounts but it also generated additional questions:

1. How did “Net Position” change over time prior to the creation of the separate business units in the late 1990s and also from the time period following creation of the separate business units until use of the IEC memo to calculate business unit reserve amounts in FY03?
2. How was the automated parallel process for Pay-Related Costs configured to identify the differences between the manual process from FY03 to FY15? Were assumptions from FY16-18 used in this automated parallel process? Are the assumptions used in the process similar across the years or was the automated process updated to reflect unique circumstances associated with FY03-15 activity?
3. The materials provided state that: “The manual process used a rate that was not reflective of the overall weighted average Corp G&A rates.” Please share the rates used in the manual process as well as the rates provided in the automated parallel process if these rates differ from those shown in the summary table of page 14.
4. Please also detail the errors associated with the Pay-Related Costs review that resulted in \$242 million of misallocated costs from FY02-15. It is difficult to understand what happened here with a description that this module “was just wrong”. The \$242 million of misallocated Pay-Related Costs is new information and it would be helpful to understand why the prior cost allocations are being changed here. This appears to conflict with statements that prior cost allocations are not being reviewed or re-evaluated during this process.

Thank you for your consideration of these questions about this important work.