

BONNEVILLE POWER ADMINISTRATION
RESIDENTIAL EXCHANGE PROGRAM

Compliance Oversight Efforts - Agreed Upon Procedures

Procedure Objectives

These Agreed Upon Procedures (AUPs) will provide Bonneville Power Administration (BPA) with sufficient evidence and related findings concerning the amounts reported in the utility's Annual Residential Exchange Program (REP) Accounting Report to determine that these amounts are in agreement with the utility's books and records, and that the annual report fairly presents the utility's REP activity for contract years _____. In addition, the procedures will provide BPA with assurance that the utility's calculation of monthly REP credits on eligible customer utility bills is being performed correctly, and that the utility is administering the REP in compliance with the Residential Purchase and Sale Agreements (RPSA). Attachment A of this document contains relevant RPSA provisions. Attachment B contains a copy of BPA's REP Eligibility Guidelines. Attachment C contains a copy of the utility's Annual REP Accounting Report(s).

Procedures

1. REP Invoice Preparation

- a. Reconcile the total monthly load amount invoiced by the utility to BPA with the utility's total residential and small farm loads for the month summarized by the utility's residential and small farm tariff(s) and billing system load data.
- b. Prepare a schedule (workpaper exhibit) that lists the differences in the total monthly loads represented by the utility's residential and small farm tariffs and billing system load data and the monthly loads that were invoiced to BPA for the month and year (BPA will provide the utility's CPA firm with copies of the utility's monthly invoices submitted to BPA.)
- c. Follow-up with utility personnel for explanations for any monthly differences (include a summary of these explanations on the workpaper exhibit).
 - Note: During the irrigation season, utilities with service territories that contain farms with significant irrigation loads should have instances where the monthly total farm electric loads exceed the amount of eligible qualifying loads due to the

monthly irrigation “cap” of 222,000 kWh/ month per eligible farm (see Eligibility Guidelines – Attachment B).

- The utility should not be invoicing BPA for irrigation loads that exceed the monthly cap. Farms’ electrical loads associated with incidental primary processing activities and residential loads for farm laborers and farm owners are not subject to the cap limitation.

2. Utility’s Ability to Correctly Calculate REP Credits on Residential Bills

- a. Obtain copies of the REP credit tariffs along with a description of the applicable eligible loads that qualify for residential rate credit treatment. Agree that the approved tariff credit amount is used to calculate the credit on residential bills.
 - Note: Some state utility commissions cap the loads that are eligible to receive the credit to provide a higher level of credits to households with smaller loads as a means of providing greater benefits to low income households.
- b. Obtain a judgment sample of 100 residential household utility bills for examination, ensuring that all months of the year are sampled, and that both bills with small invoiced amounts (less than \$50/ month) and large invoiced amounts (greater than \$150/month) are selected. Determine upon examination whether the credit amounts on residential household utility bills are being calculated correctly. Note any exceptions.
 - Note: This audit step is performed in conjunction with Steps #4 and #6.

3. Utility’s Ability to Correctly Calculate REP Small Farm – Irrigation Load Credits

- a. Obtain a copy of the REP irrigation credit tariff amount and a description of applicable loads that qualify for small farm and irrigation rate credit treatment.
- b. Obtain a judgment sample of at least 25 small farm utility bills with irrigation loads (separate unrelated parties) for examination with a concentration of bills selected from the irrigation season (irrigation season will vary by year due to rainfall). If there are farms with multiple metered pumping loads, ensure that these bills are included in the sample. Determine upon examination whether the credit amounts for farm irrigation/pumping loads are being calculated correctly. Note any exceptions.
- c. Based on the procedures performed in (b) above, conclude whether the utility’s billing system(s) and procedures correctly provide for the aggregation of multiple separately metered irrigation pumping loads together with any allocated pumping loads served by common pumping stations and/or shares in Canal Company irrigation amounts attributable to individual farms. Conclude whether the utility’s systems and procedures

are designed and being correctly applied to limit the (combined/ aggregated) monthly irrigation/pumping loads eligible to receive the REP credit up to the cap of 222,000 kWh/month per individual farm.

- Note: This audit step is performed in conjunction with Steps #4 and #6.

4. REP Benefits are Restricted to Eligible Qualifying Loads

- a. When examining the invoices selected under Steps 2 and 3 above, prepare a list of account names that could indicate that a business or commercial enterprise is associated with the utility account (Examples: Bill James Accounting Services whose business is located in a former residence, Bill Nicholson Insurance Agency). Use the BPA prepared workpaper exhibit template for this procedure.
- b. Describe the findings associated with the review of these customer accounts. If the AUP generated a list of potential non-qualifying loads, submit the list (workpaper exhibit) to utility internal audit staff or the director/supervisor of customer service personnel for review. Utility personnel performing the review should not be the same customer service personnel responsible for establishing the residential customer tariff account classifications. Utility personnel conducting the review should report back to the CPA firm's responsible individual with their results. Document the utility review staff findings in the formatted workpaper template.
- c. Submit the completed workpaper exhibit to BPA along with the CPA firm's findings surrounding the performance of this procedure.

5. Review of Utility's Annual Accounting Report on REP Payments

- a. BPA has agreed the beginning balance of the Pass-through Account in the Annual REP Accounting Report to the prior Annual Settlement Agreement Accounting Report. No review work is to be performed on utilities' beginning balances.
- b. BPA has agreed the amount of REP monies reported on the utility's Annual REP Accounting Report with BPA's record of payments made to the utility. No review work is to be performed on REP payments received by the utility.
- c. Agree the monthly amount of REP credits disbursed through the utility's subsidiary billing system with the utility's general ledger accounts or subsidiary accounting records. Agree the total amount of REP monies/credits distributed for the year in the utility's books and records with the amount of disbursements reported in the utility's Annual REP Accounting Report submitted to BPA. Note any exceptions.
- d. Determine that the amount of monthly interest credited and recorded on undistributed monthly pass-through balances as reflected in the utility's books and records is in

conformance with RPSA Section 10.3. Obtain documentation on the state utility commission's approved rates of interest associated with pass-through account balances, or documentation supporting the rate of interest used in calculating the interest expense/credit. Obtain copies of the utility's monthly interest calculation associated with the pass-through account. Confirm that interest is credited based on the monthly pass-through account balance in a consistent manner. Note any exceptions with the RPSA's provisions, the rate of interest used in performing the calculation, and the consistency in the method used to calculate the monthly interest credit on undistributed balances.

- Note: If undistributed Pass-through Account balances are maintained in a separate passbook account or equivalent interest bearing account that accrues interest monthly, then review can be limited to agreeing the interest earnings for the account with the Annual REP Accounting Report.
- e. Agree the annual amount of interest expense associated with undistributed monthly pass-through balances for the contract year that is contained in the utility's books and records with the amount reported in the utility's Annual REP Accounting Report. Note any exceptions.
 - f. Agree the ending balance of the pass-through account for the contract year-end date in the Annual REP Accounting Report with the balance contained in the utility's books and records associated for that date. If the pass-through account monies are on deposit with a bank/financial institution, confirm the ending balance at contract year-end (09/30/XX) with the institution. Review the utility's account balance (bank statement reconciliations, if applicable) reconciliation workpapers surrounding outstanding receipts and disbursements and interest expense accruals associated with the pass-through account at the contract year-end date. Note any exceptions and/or unusual reconciling items.
 - g. Review the utility's footnote disclosures contained in the Annual REP Accounting Report for completeness and full disclosure of all material matters that came to the CPA firm's attention during the engagement concerning the REP pass-through account activity for the contract year. Note any exceptions.

6. Federal Columbia River Benefit Bill Notice

- a. In performing the review of residential and small farm customer invoices in Steps 3 and 4, above, review the invoices for the inclusion of the statement or footnote that REP benefits are "Federal Columbia River Benefits supplied by BPA," as required by RPSA Section 18. Note any exceptions.
 - Note: This audit step is performed in conjunction with Steps #2, #3, and #4.