

**ATTACHMENT XX**  
**COST VERIFICATION PROCESS FOR SLICE TRUE-UP ADJUSTMENT CHARGE**

The allocation of forecast expenses and revenue credits to the cost categories in the Cost Pools established on Table 2.1 of the TRM for each rate period will be done in each applicable 7(i) Process. The allocation of such forecast expenses and revenue credits established in each 7(i) Process will not be subject to the Cost Verification Process for the Slice True-Up Adjustment Charge.

**1. Slice True-Up Adjustment Charge and Agreed-Upon Procedures**

- a) Upon completion of the BPA annual audit, BPA will calculate the Slice True-Up Adjustment Charge for the Fiscal Year just concluded, consistent with the requirements of ~~the~~ section 9.54 of the TRM, and Table 2.1 thereof as established in the applicable 7(i) Process. BPA will provide notification to the Slice customers of the Slice True-Up Adjustment Charge applicable to all Slice customers.
- b) Following the notification to the Slice customers of the Slice True-Up Adjustment Charge, BPA will allow a period of 15 business days for the identification by any customer of any Slice True-Up Adjustment Charge issues for inclusion in the Agreed Upon Procedures (“AUPs”). After such notification, BPA will post the TRM Cost Allocation Tables (i.e., Composite, Non-Slice, and Slice Cost Pools) reflecting the actual expenses and revenue credits from the immediately preceding Fiscal Year for review. The Slice True-Up Adjustment Charge applicable to each Slice customer will not be posted.
- c) After the identification of such issues, BPA will draft the tasks to be included in the AUPs to address such issues. The proposed tasks will be posted for all customers to review. After the review and consultation with the customers, BPA will finalize the AUPs and decide whether it will be performed by BPA’s auditor or another external auditor selected by BPA.
- d) The AUPs will describe the specific tasks activities to be performed, the deliverables expected and the timeframe the Aauditor will have to complete the specific tasks~~respond to these requests~~. The AUPs are procedures for the performance of specific tasks that the auditor agrees to perform and that specify the depth and scope of the work to be performed. The AUPs are not subject to audit standards, responsibilities, or liabilities, and the Aauditor will not express an audit opinion on the specific tasks activities performed under the AUPs. For the Slice True-Up Adjustment, the scope of work will be to verify that BPA’s Slice True-Up Adjustment contains only those costs permitted to be included in, and does not contain any costs excluded from, the Slice Customer Rate pursuant to the TRM and the applicable Table 2.1

DRAFT – PREDECISIONAL FOR DISCUSSION PURPOSES ONLY

SLICE CONTRACT MEETING HANDOUT

July 11, 2008

established in the applicable 7(i) Process. BPA and the auditor will determine the means used to perform the scope of work in the AUPs in order to minimize the workload of such AUPs. BPA's accounting policies, standards, management decisions or other policies, are not subject to review and question.

**2. Cost Verification Process**

- a) The Cost Verification Process will commence after: (i) completion of BPA's annual audit;(ii) after Slice customers are notified of the Slice True-Up Adjustment Charge; (iii) after all customers have been provided the opportunity to review the Cost Allocation Tables with fiscal year actual amounts listed in the applicable cost categories; (iv) after all customers have had an opportunity to include Slice True-Up Adjustment Charge issues to the AUPs, and review the draft list of AUP tasks; and (v) the Auditor has completed all of the tasks and provided to BPA the results of the AUPs.
- b) The Auditor will have a period of approximately 120 calendar days, commencing with the date the Slice customers receive their notification of the Slice True-Up Adjustment Charge for a Fiscal Year, to complete the tasks in the AUPs and provide to BPA the results.

**3. Cost Verification Process Workshops**

- b)a) The Cost Verification Process workshops will begin with a publicly noticed initial workshop, open to all customers and interested parties. This workshop, will include, at a minimum, BPA presentations on and review of the calculation of the Slice True-Up Adjustment Charge and the results of the AUPs. At such workshop, customers may review and pose questions regarding the materials presented. Customers will have a reasonable amount of additional time after the conclusion of the initial workshop to formulate and pose to BPA in writing any further questions regarding the Slice True-Up Adjustment Charge.
- b) BPA will hold at least one follow-up workshop to address all issues raised during the initial workshop and in the customer's comments. Upon customer request-, and if agreed to by BPA, and if permitted by the retention agreement between BPA and the Auditor, BPA will request that the Auditor who performed the AUPs attend the follow-up workshop to provide clarification to questions raised related to the AUPs' results.
- c) BPA will establish a 15 day comment period during which customers and interested parties may submit written comments on the AUP results and any issues raised related to ~~by~~ the Slice True-Up Adjustment Charge.

**4. BPA's Draft Response, 3<sup>rd</sup> Party Review Process, and BPA's Final Response**

DRAFT – PREDECISIONAL FOR DISCUSSION PURPOSES ONLY

SLICE CONTRACT MEETING HANDOUT

July 11, 2008

- a) Based on customer comments, BPA will issue within 15 days of the close of the comment period a Draft Response addressing the questions and issues raised in such comments. BPA will provide a copy of such draft response to all parties who submitted comments on BPA's initial response.
- b) Any customer or interested party who is aggrieved by one or more of BPA's Draft Responses regarding the Slice True-Up Adjustment Charge may invoke the 3<sup>rd</sup> party review process by providing written notice within 10 business days of the issuance of the Draft Response to BPA and all parties who submitted comments. Such notice must contain a concise statement of each BPA response with which issue is taken, and an explanation of the nature and basis of the grievance. If the 3<sup>rd</sup> party expert review process has not been invoked by any party within the notice period, then recourse to the 3<sup>rd</sup> party review process will be waived by all parties for all purposes for the applicable Cost Verification Process, and BPA will take the actions necessary to implement the decisions set out in its Draft Response document.
- c) The 3<sup>rd</sup> party expert must have a level of experience deemed appropriate for the utility industry (not less than 10 years) with knowledge of accounting, cost allocation, and rate-setting methodology and practices. The 3<sup>rd</sup> party expert will be selected by BPA in consultation with the customers participating in the 3<sup>rd</sup> party expert process.
- d) The matter(s) at issue will be submitted to the 3<sup>rd</sup> party expert by written submission. Such written submissions shall be submitted to the 3<sup>rd</sup> party expert not later than 20 days after the posting of the 3<sup>rd</sup> party appointment on the BPA website, and shall not exceed fifty (50) double-spaced pages (12 point font; 26 lines, except for single-spaced quotes), together with exhibits not in excess of fifty (50) pages. The 3<sup>rd</sup> party expert may pose questions to any party making a submittal, and may permit oral argument on some or all of the issues presented in his or her discretion. The 3<sup>rd</sup> party expert will issue a written opinion on all matters at issue within 30 business days of the later of the written submittals or oral argument).
- e) Upon completion of the 3<sup>rd</sup> party review process, BPA will provide a final response document disposing of the issues and questions dealt with in the opinion of the 3<sup>rd</sup> party expert. In such final response, BPA may either adopt in whole or in part, or reject in whole or in part, the disposition of the issues and questions in the opinion of the 3<sup>rd</sup> party expert. Upon the issuance of such final response, BPA will take the actions necessary to implement the decisions set out in its final response document. BPA can decide to address and resolve any issue in the next 7(i) Process.