

CITY OF SEATTLE, SEATTLE PUBLIC UTILITIES – WATER FUND

WHOLESALE STATEMENTS (2001 CONTRACT TYPES)

SCHEDULE OF AGREED-UPON PROCEDURES

Procedures to be Performed for the Summary of Regional System Revenues

1. Prove the arithmetical accuracy of the summary.
2. Trace balances on the summary to appropriate source summary worksheets.
3. Trace the population-served amounts to detailed spreadsheets prepared by the Fund that estimate population amounts based on information provided by the Puget Sound Regional Council to the Fund. Prove the arithmetical accuracy of the detailed spreadsheets.
4. Recalculate any prior-year adjustments based on support provided by Fund management.

Procedures to be Performed for the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs

5. Prove the arithmetical accuracy of the summary.
6. Compare rate based revenues for the year ended December 31, 2011 to the sum of the base rate revenues and the transition growth surcharge totals found on the Regional Rate-Based Revenues Statement.
7. Obtain the 2011 Operating and Maintenance (“O&M”) Expense Allocation Schedule, detailed by expense category, used to calculate operations costs on the statement and perform the following procedures:
 - a. Prove the arithmetical accuracy of the schedule.
 - b. Compare each category of expense from the O&M schedule to the 2011 audited financial statements, and identify amounts on the O&M schedule that are subtracted as subregional.
 - c. Determine that 2011 O&M costs are allocated to the proper cost pools according to the New Contract Exhibits by selecting allocated activities through non-statistical means and comparing them to a list of activity numbers set forth in the Wholesale Customer Contract or applicable operating Board decisions, to obtain 60% coverage of the total allocated costs, with a minimum of 20 selections. If a chosen activity is not on the list defined in the contract, document the Fund’s rationale for inclusion in the allocations.
 - d. Compare 2010 and 2011 O&M Expense allocation schedules to each other for consistency of presentation.
 - e. Recalculate the application of the 2010 to 2011 percentage to the 2010 base cost index.

8. Obtain the Fund Audit Schedule of Fixed Assets as of December 31, 2011, and perform the following procedures:
 - a. Prove the arithmetical accuracy of the schedule.
 - b. Compare the fixed asset categories on the schedule to the 2011 audited financial statements.
 - c. Verify that individual assets are allocated to the proper cost pools by selecting allocated assets through non-statistical means and comparing them to Exhibits VII and VIII in the Wholesale Customer Contract to obtain 60% coverage of the allocated amount, with a minimum of 20 selections.
 - d. Recalculate the rate of return on investments and compare to Article II of the Wholesale Customer Contract.
 - e. Recalculate application of the return on investments.
9. Trace the Allocation to Declining Block amount to the Statement of Surplus (Deficit) of Declining Block Contract Revenues Less Service Costs.
10. Trace Allocation to Fixed Block Amount to the Existing Supply and Existing Transmission and the Conservation Cost Pool Operations Costs amounts on the Statement of Surplus (Deficit) of Fixed Block Contract Revenue Less Services Costs.
11. Compare any other credits, such as Timber sales, on the statement to the December 31, 2011 Fund general ledger. Recalculate allocation percentage of these credits to the Summary of Regional System Revenues.
12. Recalculate any prior-year allocation, including interest amount, based on support provided by Fund management.

Procedures to be Performed for the Declining Block Customer Statement of Surplus (Deficit) of Block Revenues Less Service Costs

13. Prove the arithmetical accuracy of the statement.
14. Compare revenues for the year ended December 31, 2011, to the declining block revenue amount on the Statement of Regional System Revenues.
15. Compare the Existing Supply and Existing Transmission Costs to the corresponding amounts on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs.
16. Recalculate the Existing Supply and Existing Transmission Allocation to Declining Block.
17. For each subregional segment perform the following:
 - a. Recalculate application of the return on assets to subregional assets in the Fund Audit Schedule of Fixed Assets as of December 31, 2011.
 - b. Identify individual O&M costs noted as subregional within the 2011 O&M Expense Allocation Schedule and compare each amount to the Operations Costs for the Cascade Subregion B Segment 1 & 2.

- c. Identify flow allocators that vary by more than two standard deviations from the five-year rolling average and note the Fund's explanations for the variance.
 - d. Recalculate the application of flow factors to each subregional facility.
18. Recalculate the Annual Cost of the Supplemental portion of the Declining block.
19. Compare Penalty Charge Cost to the Statement of Declining Block Usage and Penalty Charge.

Procedures to be Performed for the Fixed Block Customer Statement of Surplus (Deficit) of Block Revenues Less Service Costs

- 20. Prove the arithmetical accuracy of the statement.
- 21. Compare revenues for the year ended December 31, 2011, to the corresponding amount on the Statement of Regional System Revenues.
- 22. Compare the Existing Supply and Existing Transmission Costs to the corresponding amount on the Statement of Surplus (Deficit) of Regional Rate Revenues Less Service Costs.
- 23. Recalculate Allocation to Fixed Block Customers by matching the Existing Supply and Existing Transmission Costs to the 2011 O&M Allocation and 2011 Asset Allocation Schedules provided by Fund management.
- 24. Compare the Conservation Cost Pool Operations Costs to the New Supply Operations Costs on the Statement of Surplus (Deficit) of Rate Revenues Less Service Costs and the Conservation Cost Pool Asset Recovery Costs to the Facilities Charge Based Costs on the New Wholesale Customer Facilities Charge Summary Statement.
- 25. Compare Penalty Charge Cost to the Statement of Fixed Block Usage and Penalty Charge.

Procedures to be Performed for the New Wholesale Customer Statement of East Subregional Surplus (Deficit) of Rate-Based Revenues Less Service Costs

- 26. Prove the arithmetical accuracy of the statement.
- 27. For each subregional segment, perform the following procedures:
 - a. Recalculate application of the return on assets rate to subregional assets in the Fund Audit Schedule of Fixed Assets as of December 31, 2011.
 - b. Verify individual O&M costs noted as subregional in 2011 are identified within the O&M Expense Allocation Schedule.
 - c. Identify flow allocators for the East Subregions (Mercer Island Pipeline) that vary by more than two standard deviations from the five-year rolling average and note the Fund's explanations for the variance.
 - d. Recalculate the application of flow factors to each subregional facility.
 - e. Prove the arithmetical accuracy of the calculation of the "as-if" subregional revenues.

Procedures to be Performed for the Statement of Surplus (Deficit) of Southwest Subregion Rate Revenues Less Service Costs

28. Prove the arithmetical accuracy of the statement for accuracy.
29. Recalculate application of the return on assets rate to subregional assets in the Fund Audit Schedule of Fixed Assets as of December 31, 2011.
30. Identify individual O&M costs noted as subregional within the 2011 O&M Expense Allocation Schedule.
31. Identify flow allocators that vary by more than two standard deviations from the five-year rolling average and note the Fund's explanations for the variance.
32. Recalculate the application of flow factors to each subregional facility.
33. Prove the arithmetical accuracy of the calculation of the "as-if" subregional revenues.
34. Recalculate any prior-year adjustments based on support provided by Fund management.

Procedures to be Performed for the New Wholesale Customer Facilities Charge Summary Statement

35. Prove the arithmetical accuracy of the statement.
36. Compare the 2011 facilities charge revenues to the Total Facilities Charge Revenues Statement.
37. Compare 1% conservation costs to the Fund Audit Schedule of Fixed Assets as of December 31, 2011.
38. Trace Allocation to Fixed Block Amount to the Conservation Cost Pool Asset Recovery Costs amount on the Statement of Surplus (Deficit) of Fixed Block Contract Revenues Less Service Costs.
39. Recalculate the Allocation to New Contract Wholesale Customers using amounts in the Summary of Regional Systems Revenues based on the ratio of demand from new contract customers participating in regional conservation to the total of demand from new and old customers participating in regional conservation.
40. Recalculate any prior year adjustments based on support provided by Fund management.

Procedures to be Performed for the Regional Rate-Based Revenues Statement

41. Prove the arithmetical accuracy of the statement.
42. Select two months through non-statistical means and recalculate Seattle wholesale volumes on "MGD by Source" report and 2011 year-end detail source sheets provided by Fund management.
43. Select two months through non-statistical means and recalculate Seattle wholesale bills on 2011 year-end detail source sheet. Compare rates used for Seattle to the 2010 -2011 rate study.

44. Select a non-statistical sample of Customer bills sent in 2011 to achieve 60% coverage of customer months with a minimum of one from each Customer and perform the following procedures:
 - a. Compare billed water consumption amounts (volume and dollar) to data provided by the Fund's Account Services department.
 - b. Compare old water volume used to calculate each bill to the annual total water allowance stated in the Old Wholesale Customer Contracts.
 - c. Recalculate subregional surcharges if they apply.
45. Agree any miscellaneous adjustments to supporting documentation obtained from Fund management.
46. Recalculate any prior-year adjustments based on support provided by Fund management.

Procedures to be Performed on Facilities Charge Revenue Statement

47. Prove the arithmetical accuracy of the statement.
48. Trace the 2011 "Non-Seattle" facilities charge revenues to the December 31, 2011 Fund general ledger.
49. Select customer new meter counts through non-statistical means to achieve 60% coverage of the total new meter installations and trace from the Facilities Charge Data sheet provided by Fund management to the Facilities Charge Revenues Statement.
50. Select Seattle new meter counts through non-statistical means to achieve 60% coverage of total new meter installations and compare to the 2011 Maximo Work Order Query by Month.
51. Recalculate any prior-year adjustments based on support provided by Fund management.

Procedures to be Performed on the Statement of Declining Block Usage and Penalty Charge

52. Compare monthly water consumption amounts (volume only) to data provided by the Fund's Account Services department.
53. Recalculate Annual Average Use in accordance with methodology in the Declining Block Contract.
54. Recalculate Peak Season Use in accordance with methodology in the Declining Block Contract.
55. Recalculate Peak Month Use in accordance with methodology in the Declining Block Contract.
56. Recalculate Penalty Charge in accordance with methodology in the Declining Block Contract.

Procedures to be Performed on the Statement of Fixed Block Usage and Penalty Charge

57. Compare monthly water consumption amounts (volume only) to data provided by the Fund's Account Services department.
58. Recalculate Annual Average Use in accordance with methodology in the Fixed Block Contract.
59. Recalculate Peak Season Use in accordance with methodology in the Fixed Block Contract.
60. Recalculate Peak Month Use in accordance with methodology in the Fixed Block Contract.
61. Recalculate Penalty Charge in accordance with methodology in the Fixed Block Contract.

Procedures to be Performed on the Notes to the Wholesale Customer Statements

62. Compare rate of return percentage in Note 1 to the rate of return recalculated in the Procedures for Statement of Surplus (Deficit) of Rate Revenues less Service Costs.
63. Prove the arithmetical accuracy of the tables and schedules within the Notes.
64. Compare balances and percentages in Note 2 to appropriate source summary worksheets used in applying agreed-upon procedures to the statements.
65. Compare balances and percentages in Note 4 to appropriate source summary worksheets used in applying agreed-upon procedures to the statements.