

AUSTIN ENERGY

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES FOR REVIEW OF RESIDENTIAL CUSTOMER WATER BILLS

For the Period January 1, 2015 to September 30, 2015

Prepared by:

Baker Tilly Virchow Krause, LLP

December 17, 2015

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REVIEW OF RESIDENTIAL CUSTOMER WATER BILLS

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**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the City Council
Austin Energy
Austin, TX

We have performed the procedures enumerated below, which were agreed-upon by Austin Energy (AE), solely to assist you with respect to review of residential customer water bills for the period January 1, 2015 to September 30, 2015. Austin Energy's management is responsible for the residential customer water bills. The agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any purpose.

The procedures and the associated findings are as follows:

1. Performed the procedures as detailed in the body of this report, including testing Austin Energy water bills for accurate calculation and tracing water bills to supporting documentation.

We found no exceptions as a result of the procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the areas tested. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management and the city council and is not intended to be and should not be used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 17, 2015

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We were engaged to perform agreed-upon procedures as outlined in Exhibit B of the Contract between the City of Austin D/B/A Austin Energy and Baker Tilly Virchow Krause, LLP for Audit and Accounting Services (MA-1100-15111200003). These procedures included obtaining billing data and invoices from Austin Energy (AE) to perform the procedures.

Our services included reviewing billings for the period January 1, 2015 to September 30, 2015. Detailed below are our procedures and results of testing.

PROCEDURES

The following procedures were performed:

1. Perform planning activities including project kick-off discussions with Austin Energy to define the communication plan, timeline, and finalizing the detailed work plan.
2. Issue data request to Austin Energy to obtain an extract from the Customer Care & Billing (CC&B) system that contains residential water billing data for the period January 1, 2015 through September 30, 2015 (extract to exclude billing data associated with corrected billings).
3. Verify that the CC&B extract contains the following 6 fields for each record: ACCT_ID, BILL_ID, START_DT, END_DT, RS_CD and CALC_AMT.
4. Select a statistically valid sample size for a 95% confidence interval and a 5% error rate using the AICPA sample guidance.
5. Assign random number to all records (residential accounts) billed between January 1, 2015 and September 31, 2015.
6. Generate a list of random numbers equal to the valid sample size
7. Provide an electronic list of the BILL_ID's selected for testing and provide to Austin Energy in order to receive copies of the bills.
8. Confirm that the bills received from Austin Energy match the bills selected for testing.
9. Obtain from Austin Energy the approved tariff applicable for residential water service during the period January 1, 2015 through September 30, 2015
10. Test each water bill in the sample to determine whether the tiered volumetric charges are correctly applied and billed according to the applicable approved tariff:
 - 10.1. Test each water bill in the sample for customers not identified as participating in the Customer Assistance Program
 - 10.2. Confirm that the ending "Read" minus the beginning "Read" equals the "Consumption" reported on the bill in hundreds of gallons
 - 10.3. Confirm that the "Consumption" reported on the bill in hundreds of gallons is properly converted and reported as "Total Consumption in Gallons" on the bill
 - 10.4. Confirm that the total number of gallons billed under the tiered structure equals the "Total Consumption in Gallons" reported on the bill
 - 10.5. Confirm that each tier that is billed to the customer utilizes the "Interval" structure contained in the "Monthly Consumption (Volume) Charge" of the applicable tariff for gallons for "Residential Customers"
 - 10.6. Confirm that each tier that is billed to the customer utilizes the tier structure contained

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in the "Monthly Consumption (Volume) Charge" of the applicable tariff for "Unit Rate Per

10.7. Verify that the total gallons for each tier reported on the customer's bill multiplied by the rate per 1,000 equals the charge for that tier.

11. Test each water bill in the sample for customers identified as participants in the Customer Assistance Program.

11.1. Perform the procedures identified in 10.1 through 10.7 above.

11.2. Verify the "Customer Assist Program Volume Charge Discount" presented on the customer's bill:

11.3. Verify that the total gallons for each tier reported on the customer's bill multiplied by the "Charge per 1,000 Gallons" for "Customer Assistance Program (CAP)" using the appropriate "Interval"

11.4. Verify that the sum of each discounted tier in 4.10.2.1 equals total reported as the "Customer Assist Program Volume Charge Discount" presented on the customer's bill

12. Prepare a draft report in the form of procedures and findings and discuss with Austin Energy management.

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SUMMARY

Based on the agreed-upon procedures parameters and discussion with AE management, Baker Tilly performed the procedures on a sample of 162 water bills. Fieldwork was performed. An extract of residential water billing data from the Customer Care & Billing system was provided by Austin Energy for the period January 1, 2015 through September 30, 2015, and Baker Tilly selected a sample of 162 water bills from the population of 1,812,452. Fieldwork was performed on December 2, 2015 through December 3, 2015, during which time Austin Energy provided copies of the corresponding sampled bills. The sample size was arrived at using standards of the American Institute of Certified Public Accountants for large populations, based on a 95% confidence and 4.5% tolerable error.

RESULTS OF TESTING

There were no inaccuracies or incorrect billings identified in the residential water bills reviewed for testing. Out of the 162 bills tested, there were three that required additional clarification. Detailed information related to each of these items is as follows:

An account was initially billed for an estimated 500 gallons but there was no consumption.

Upon further investigation it was determined that the account was properly rebilled for no consumption and the account was credited for the initial charges. Baker Tilly obtained evidence to verify the accurate amount was credited back to the account. No issues noted.

Bill evidence for two sampled items included multiple months' bills related to the sampled bill date.

One of these items included bills for the sampled date as well as the four months prior. After further investigation it was determined that the additional four months' bills had been held in a pending status until it was discovered that these had not been released yet. Upon discovery, these bills were sent to the customer on the same bill date. This did not affect the sampled bill, as Baker Tilly was able to determine that the billed charges reflected actual customer consumption and was based on approved tiered rates. No issues noted.

Bill evidence for the second item included the sampled date as well as bills from the two months prior. These two additional months were rebills sent to correct two months of overestimated usage. The corrections did not affect the sampled bill, as Baker Tilly was able to determine that the billed charges reflected actual customer consumption and was based on approved tiered rates. No issues noted.

There were no other deviations from the agreed-upon procedures as detailed in this report.