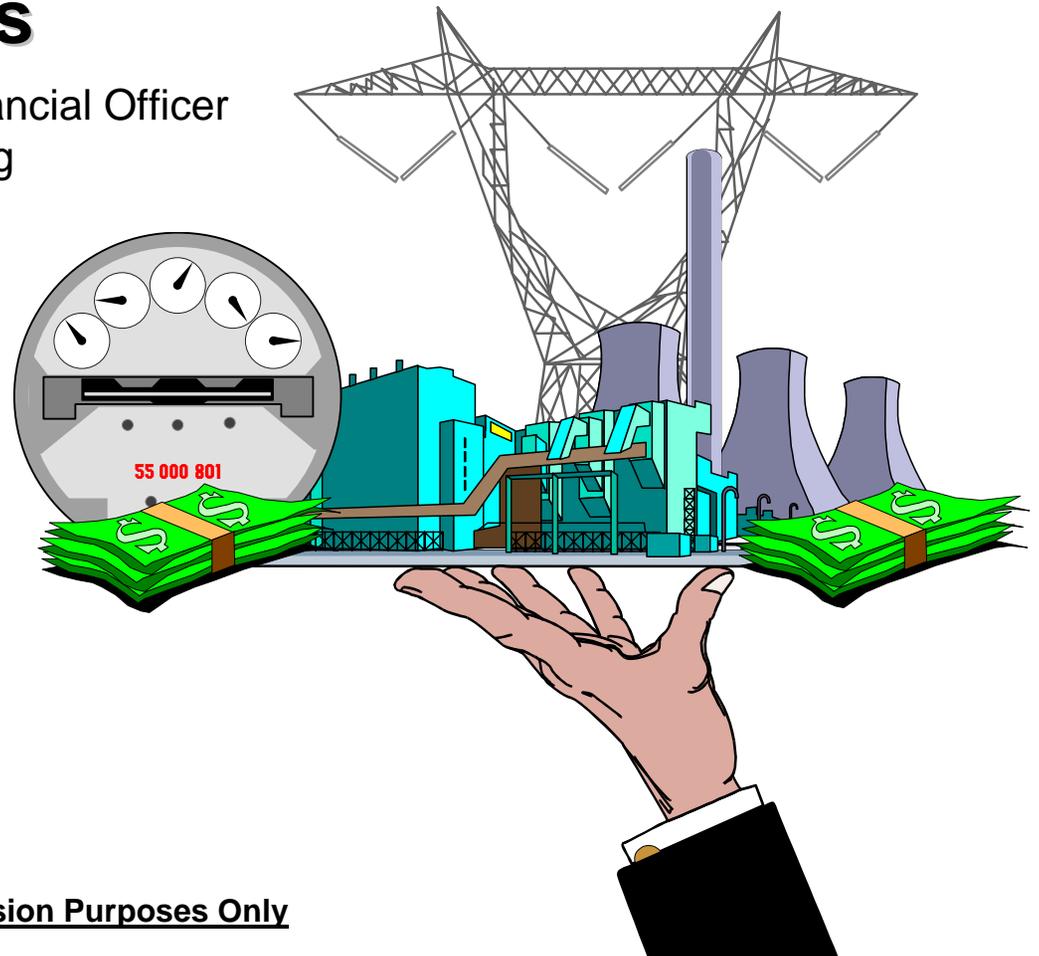


Billing & Settlements Update: Focus On Operations And Process Controls

Charles Garber, Vice President & Chief Financial Officer
Management Committee Meeting
September 7, 2005



For Discussion Purposes Only

Overview

- 2005 Progress On Final Bill Closeouts
- Final Bill Closeout Schedule
- *Settlements Department Operations & Controls*
- Q & A

2005 Progress On Final Bill Closeouts

- At January 1:
 - 4 Months [November 1999 – February 2000] Had Been Closed Out
 - Closeout Process Halted May 2004
- Q1/Q2:
 - 17 Issues Identified Affecting Various Months, Precluding Their Close-out
 - Focus On Issue Resolution And Deployment Of “Fixes”
- Q3:
 - July 5, Close-out Process Resumed With The Posting of 5 Months [September 2000 – January 2001] For 30-Day MP Review
 - August 5, September 2000 – January 2001 Closed Out
 - August 8, Posted 5 Months [February 2001 – June 2001] For 30-Day MP Review
- Q4+:
 - Closeouts To Proceed At A rate Of 5 Bills Per Month; At This Rate:
 - ▶ 29 Months Of Settlements (Through March 2002) Will Be Closed Out By Yearend
 - ▶ Historical Closeouts Caught Up In July 2006

Closeout Schedule At September 7, 2005

Posting Date	7/1/2005	8/8/2005	9/6/2005	10/7/2005	11/4/2005	12/9/2005	1/7/2006	2/4/2006	3/7/2006	4/4/2006	5/7/2006	6/9/2006 ⁶	
	BATCH 2	BATCH 3	BATCH 4	BATCH 5	BATCH 6	BATCH 7	BATCH 8	BATCH 9	BATCH 10	BATCH 11	BATCH 12	BATCH 13	

Invoice Date	7/8/2005	8/5/2005	9/8/2005	10/7/2005	11/7/2005	12/7/2005	1/9/2006	2/7/2006 ⁵	3/7/2006	4/7/2006	5/5/2006	6/7/2006	7/7/2006 ⁷
		BATCH 2	BATCH 3	BATCH 4	BATCH 5	BATCH 6	BATCH 7	BATCH 8	BATCH 9	BATCH 10	BATCH 11	BATCH 12	BATCH 13

Posting Date	Invoice Date	Batch	Months Comprising Batch
7/5/2005	8/5/2005	2 ¹	September 2000; October 2000; November 2000; December 2000; January 2001;
8/8/2005	9/8/2005	3 ²	February 2001; March 2001; April 2001; May 2001; June 2001
9/6/2005	10/7/2005	4 ³	March 2000; April 2000; May 2000; June 2000; July 2000;
10/7/2005	11/7/2005	5 ⁴	August 2000; July 2001; August 2001; September 2001; October 2001;
11/4/2005	12/7/2005	6	November 2001; December 2001; January 2002; February 2002; March 2002;
12/9/2005	1/9/2006	7	April 2002; May 2002; June 2002; July 2002; August 2002;
1/7/2006	2/7/2006 ⁵	8	September 2002; October 2002; November 2002; December 2002; January 2003;
2/4/2006	3/7/2006	9	February 2003; March 2003; April 2003; May 2003; June 2003;
3/7/2006	4/7/2006	10	July 2003; August 2003; September 2003; October 2003; November 2003;
4/4/2006	5/5/2006	11	December 2003; January 2004; February 2004; March 2004; April 2004;
5/7/2006	6/7/2006	12	May 2004; June 2004; July 2004; August 2004; September 2004;
6/9/2006 ⁶	7/7/2006 ⁷	13	October 2004; November 2004; December 2004;

FOOTNOTES:

2 ¹	Original Batch 2 replaced by modified Batch 3 [replaced Aug '00 with Jan '01] due to issues affecting March - August 2000 settlements
3 ²	Original Batch 3 modified by moving modified Batch 4 up one month, moving Jan '01 to Batch 2 & replacing it with June '01
4 ³	Original Batch 4 replaced by Original Batch 2
5 ⁴	Original Batch 5 modified by moving June '01 to modified Batch 3 & replacing it with August '00
2/7/2006 ⁵	24-Month Settlement Cycle Months Closed Out
6/9/2006 ⁶	12-Month Settlement Cycle Postings Back On Schedule
7/7/2006 ⁷	12-Month Settlement Cycle Invoicing Back On Schedule

Settlements' Process Controls Key Points

- Role Is To Administer Effective Process Controls, Providing Reasonable Assurance That Settlements Are Reported Accurately & Completely
- Process Controls And Effectiveness Have Been Thoroughly Audited:
 - Unqualified Opinions On SAS70 Type 2 Audits
 - Continuous Internal Audit Per MPAAS Guidelines
 - Attestation By Settlements Manager Of Stated Controls For SarBox Disclosure
- Results Are An Integral Part Of Corporate And Staff Incentive Goals
- Settlement Visibility Through Decision Support System, MIS And Accounting & Billing Manual Provide For Customers' Analyses & Reconciliation

Process Control: Data Screening, Corrections & Entry

- Processes Are Formally Documented And Most Are Mechanized
- Performance Tracking System Data
- Hourly Metering Data
- Mechanized Vouching Performed In Shadow Settlement Process
- Billing Quality Metering Data Only Corrected By Meter Authorities
- MPs Have Web Visibility Of Settlement & Determinant Data

Process Control: Shadow Settlements

- Process Is Formally Documented And Mechanized
- All Settlements Tested Daily Eliminating Sampling Error
- Each Settlement Rule Replicated Within Discrete SAS-Based Recalcs
- Each Day's Recalcs Compared To Billing System Computed Results
- Observed Variances Documented, Reconciled, & Resolved
- Performs Automated Vouch Ensuring All The Right Inputs Used
- Performs Tests To Ensure Code Hasn't Been Deployed Outside Change Control Guidelines Or Recent Deployments Have Not Adversely Affected Other Processes

Process Control: Final Steps

- Reasonability Analyses
 - Process Is Formally Documented
 - Daily Balances Compared To 7-,5-, & 3-Day Trends
 - Operations Impact Analyses Performed
 - Observed Variances Documented, Reconciled, & Resolved
- Invoice-level Adjustments
- Invoice-level Settlements, Adjustments, And Clearing Account Cash Flows Reviewed Prior To Invoice Issuance

Q & A