BALANCE SHEET ACCOUNT RECONCILIATION

I. Background and Purpose

Reconciling balance sheet accounts is an effective internal control in that it contributes to the accuracy of accounting records and the reliability of financial information. By performing account reconciliations on an ongoing and timely basis, the Company will increase the likelihood of achieving other broad control objectives (e.g., authorization, recording and safeguarding) that provide for the prevention of errors and irregularities. The balance sheet reconciliation process has been identified as a Sarbanes-Oxley § 404 (SOX) control, which is certified by senior management each quarter.

The purpose of this policy is to:

1. Provide guidelines for the performance of balance sheet account reconciliations

2. Establish responsibilities for completing balance sheet reconciliations

3. Designate the level of management responsible for writing off differences found in the reconciliation process

II. Policy

A. Policy and Scope

All accounts must be reconciled. The reconciliation process described in this APS excludes the reconciliation of recorded amounts to physical assets.

Account balances in balance sheet accounts should be reconciled to subsidiary records or to subsidiary systems (such as the Customer Billing System or the Materials & Inventory Management System). Proper reconciliation requires that balance sheet accounts in the general ledger be reconciled to subsidiary ledgers or analyzed to determine that authorized transactions were recorded in the correct amount in the accounting period in which they were executed and classified in an appropriate account in conformity with the FERC Uniform System of Accounts and generally accepted accounting principles. The goal of the account reconciliation process is to support the account balance on the balance sheet. Account activity can be reviewed to accomplish this, and in doing so, reconcilers can rely on their demonstrable knowledge of existing SOX processes and controls. In certain circumstances, an effective reconciliation will require obtaining an understanding of what a separate group or groups have recorded to the account.

Balance sheet accounts will be classified as either high or low risk. The assessment will be made by the account owner, and Corporate Accounting will be responsible for making the final risk classification. High risk accounts will be reconciled monthly and low risk accounts will be reconciled at least quarterly on the quarter end. Reconciliations must be completed by the end of the subsequent calendar month. Exceptions must be authorized by the Manager of Corporate Accounting, who will consider SEC filing dates in granting exceptions.

If an amount is identified that is initially unreconcilable and/or requires further investigation or if an error is identified, it must be investigated and resolved within 30 days following the initial due date of the reconciliation. These cases should be reported to the Corporate Accounting Manager. If it is determined that a write-off is required, it must be authorized in accordance with section C. Authorization for Write-Offs. Exceptions to this policy must be approved by the Vice President – Controller and Chief Accounting Officer.

All reconciliations must be approved by an individual other than the Preparer. The Approver should be at an appropriate level and have knowledge of the underlying transactions and the applicable accounting requirements. The Approver should have sufficient knowledge of the reconciliation process and review sufficient detail to ensure that the Preparer has prepared correct and effective balance sheet account reconciliations. New Approvers are responsible for learning what it means to reconcile an account and should seek training from Corporate Accounting as needed.

Supporting documentation for the reconciliation must be maintained by the Preparer in either hard copy or electronically and must be easily accessible for audit purposes. Zero balance accounts must contain support for the balance or an explanation as to what was done to validate that zero is the appropriate balance.

B. Responsibilities

1. Based upon user requests for general ledger accounts, Corporate Accounting assigns the department and manager/supervisory personnel responsible for reconciling each balance sheet account.

2. When performing reconciliations, if any error has been found during the normal reconciliation process that affects any previously publicly reported numbers, it is the responsibility of the account Approver to notify Financial Reporting, Corporate Accounting and the Internal Audit Sarbanes-Oxley group.

3. The applicable functional Director is responsible for assuring that the reconciliation process is taking place and that supervisors/managers in his or her jurisdictional area are performing their reconciliation responsibilities on a consistent, effective and timely basis.

4. The Vice President – Controller and Chief Accounting Officer is responsible for assuring that a corporate procedure is in place and operating for the reconciliation of balance sheet accounts. The Internal Audit Sarbanes-Oxley group reviews reconciliation sign-offs to ascertain that all accounts have been reconciled in a timely manner in accordance with this policy. Corporate Accounting also maintains a record of the Approver responsible for reconciling each balance sheet account.

C. Authorization for Write-Offs

1. The responsible Director is required to approve write-offs of unreconciled balances that impact earnings amounting to $250,000 or more.

2. Write-offs of unreconciled balance amounting to less than $250,000 are required to be approved by the responsible Manager or Director.

3. It is the responsibility of the Director to communicate significant write-offs to the appropriate officer.

Revision History

0	Combined post-merger policy issuance	12/14/12
1	Revision regarding timing of reconciliations	12/18/14