

9/24/09

PAYMENTS FOR SPECIFIED ENERGY PROPERTY IN LIEU OF TAX CREDITS
INDEPENDENT ACCOUNTANT REQUIREMENTS

Applicants requesting payments of **\$ 1 Million or more** for a specified property shall submit an independent accountants' examination opinion attesting to the accuracy of costs claimed as part of the basis of the property. The examination is to be conducted in accordance with AT Section 101, Attest Engagements (Statements on Standards for Attestation Engagements 10, as amended) established by the American Institute of Certified Public Accountants (AICPA). **Attachment A is the required examination report and an illustrative report of management asserting their compliance.**

Applicants requesting payments of less than \$ 1 Million and whose eligible cost basis is more than \$ 500,000 for a specified property may submit, in lieu of an examination report, with their application, a report of Agreed Upon Procedures (AUP) prepared by an independent accountant in accordance with AT Section 201, Agreed Upon Procedure Engagements (Statements on Standards for Attestation Engagements 10, as amended) of the AICPA. The Department of the Treasury's objective in having the AUP performed is to obtain independent procedures and findings as to whether the project costs and the eligibility of the costs are in accordance with the general rules for determining the basis of property for federal income taxes as further described in Section V of the "Program Guidance for the Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009". **Attachment B has the procedures to be performed by the independent accountant and an illustrative AUP report.**

ATTACHMENT A

[Applicants requesting payments of \$ 1 Million or more]

[CPA LETTERHEAD]

INDEPENDENT ACCOUNTANTS' REPORT

***Blank Company* [City, State]**

We have examined management's assertion, included in the accompanying Report of Management on Eligible Cost Basis, that the eligible cost basis for the qualified property relating to *[identify asset]* of *Blank Company* in the amount of \$XX,XXX,XXX has been determined in accordance with the general rules for determining the basis of property for federal income tax purposes, as further described in Section V of the Program Guidance for the Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009. *Blank Company's* management is responsible for the assertion. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management's assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement, the assertion or the subject matter.]

In our opinion, management's assertion referred to above is fairly stated, in all material respects based on the general rules for determining the basis of property for federal income tax purposes, as further described in Section V of the Program Guidance for the Payments for Specified Energy Property in Lieu of Tax Credits under the American Recovery and Reinvestment Act of 2009. [This report is intended solely for the information and use of the management [and the audit committee] of the Company and the Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.]

[Signature of CPA firm]

[License number and State if report is signed by an individual CPA rather than a firm]

[Date]

REPORT OF MANAGEMENT ON ELIGIBLE COST BASIS

[Month] XX, 20XX

Department of the Treasury

Management of [XYZ Company] (the "Company") is responsible for establishing and maintaining adequate internal controls to provide reasonable assurance to the Company's management and *[insert parties charged with governance, such as the Board of Directors or the Managing Member]* that the accounting records supporting the eligible cost basis for qualified property are valid, complete and accurate, and that the costs included in the eligible cost basis of such assets have been determined in accordance with the criteria set forth below.

The cost basis of property eligible for the Payments for Specified Energy Property in Lieu of Tax Credits pursuant to Section 1603 of the American Recovery and Reinvestment Act of 2009 (the "ARRA") relating to the construction of the *[specify asset type; e.g., wind energy facility]* (the "qualified property") of the Company at *[project name]* in the amount of \$XX,XXX,XXX has been determined in accordance with the general rules for determining the basis of property for federal income tax purposes as further described in Section V of the Program Guidance for Specified Energy Property in Lieu of Tax Credits under the ARRA [and in the paragraph[s] below].

[Additional description of the property or cost basis, including any significant interpretations, necessary for understanding the qualified property]

[Name and title of chief executive officer]

[Name and title of chief financial officer]

[Name and title of chief compliance officer]

ATTACHMENT B

**[Alternative Agreed Upon Procedures report for entities requesting payments of less than
\$ 1 Million and whose eligible cost basis is more than \$ 500,000]**

[CPA LETTERHEAD]

**Independent Accountants' Report on Applying the
Agreed-Upon Procedures**

For

Payments for Specified Energy Property in Lieu of Tax Credits

Under the

American Recovery and Reinvestment Act of 2009

(Applicant Name) and United States Department of the Treasury

We have performed the procedures enumerated in the appendix attached, which were agreed upon by (insert applicant name) and the United States Department of the Treasury to assist you in evaluating the specified property costs and the eligible cost basis for the payment requested under Section 1603, Division B, of the American Recovery and Reinvestment Act of 2009.

The management of (the applicant/company name) is responsible for the accuracy of the reported costs and determining the eligible basis for the property. This agreed-upon procedures engagement was conducted in accordance with AT Section 201, Agreed Upon Procedure Engagements (Statements on Standards for Attestation Engagements 10, as amended) of the American Institute of Certified Public Accountants. The sufficiency of these 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 this report has been requested or for any other purpose.

Our procedures, and the results of those procedures, are set forth in the attached appendix to this report.

We were not engaged to, and did not conduct an examination of the specified property costs and the eligible cost basis, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that would have been reported to you.

This report is intended solely for the information and use of (Applicant name) and the United States Department of the Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

(Signature) CPA

License number and State

Date

**Payments for Specified Energy Property in Lieu of Tax Credits
Under the
AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009**

**Independent Accountant Report on
Agreed Upon Procedures**

Principal Information Requests: While not intended to be a complete listing of all information that may be requested by the independent accountant, the applicant should provide the independent accountant with the following information:

1. A copy of all documentation to be submitted in support of the application.
2. A listing of all invoices and associated purchase orders, contracts and payment advices as considered relevant to the cost basis [if not provided in (1) above]. The listing should also indicate the nature of costs associated with each invoice, for example, purchase of solar panels, payment for construction labor, etc. and dates incurred.
3. A detailed calculation of cost basis linked to actual accounting records [if not provided in (1) above].

Agreed Upon Procedures (“AUP”) to be performed by the Independent Accountant

Section 1: Testing Cost Eligibility

1. From the information obtained (request 1), determine the location and definition of the specified property.

2. From the information obtained, review the classification of costs to determine whether the costs are related to the specified property.
3. Review management's detailed calculation of costs (information request 3) to determine that such costs are in accordance with the requirements of Section 1603, specifically consider the following areas as explained in the program guidance:
 - (a) Used Parts.
 - (b) Costs are for tangible property (not including a building) which is an integral part of the facility.
 - (c) Only specified energy property is taken into account.
 - (d) Qualified property that generates electricity excluding any electrical transmission equipment
 - (e) Specific property requirements.
 - (f) Lessee and Lessee in a Sale-Leaseback.
4. Review the detailed calculation of costs (information request 3) to determine that such costs are in accordance with IRC Section 1012. Determine if there are any adjustments to basis which may need to be disallowed such as depreciation. Also determine if all depreciable basis costs such as installation costs and freight costs were included in the cost basis.
5. Inquire of management if there are any federal grants, state grants or rebates that reduce cost basis. They reduce the cost basis only if they are not taxable income to the applicant. Obtain a management representation.

Section 2: Testing Costs

6. Accuracy Testing – From the detailed listing of costs (information request 2), select a sample of costs representing at least 30% of the total costs listed and at least 15% of the total number of invoices. From the samples selected, agree the descriptions and costs to actual invoices, POs, contracts and payment advices to determine the accuracy of the listing and whether such costs were actually incurred for the specified property.
7. Completeness Testing - Perform a two-way check as follows:
 - (a) From the sample tested above, trace all permitted items to the detailed calculation of cost basis (information request 3).
 - (b) Identify any individual material costs in the detailed calculation of cost basis that were not sampled and trace such costs to the detailed listing. Determine whether such costs actually exist and are permissible.
8. Inquire of management to determine that accrual basis of accounting was considered to identify all costs associated with the cost basis.

9. Reasonableness Testing – Taking into consideration all of the information obtained and procedures performed, consider whether the detailed calculation of cost basis appears to be reasonable.

Section 3: Conclusion

10. If the accountant became aware of any potential discrepancies, request management to investigate and, if appropriate, correct such discrepancies to the accountant's satisfaction.
11. Obtain a representation letter from management regarding the information obtained and oral representations made throughout the engagement

Prepare an Agreed Upon Procedures Report and attach the accountant's procedures and findings.