

NOTICE 1116 OF 2008

Title: Regulatory Reporting Manual Volume 2:
Electricity

Purpose: To prescribe and provide guidance to the regulated entities in the Electricity Supply Industry on the format, content, preparation and submission to the Energy Regulator of required information to perform its functions.

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1 Definitions and Instructions

1.1 Overview

Volume 2 of the Regulatory Reporting Manual (RRM) for use by regulated electricity businesses prescribes accounting classifications and instructions in the form of a chart of accounts aimed at achieving uniform reporting records by maintaining a consistent application among licensees. This chart of accounts along with Volume 1 is basis for financial record keeping and submitting of regulatory financial reports to the Energy Regulator.

This chart of accounts is organized as follows:-

- [a]. Definitions
- [b]. Preparation Instructions
- [c]. Listing of Accounts in the form of Chart of Accounts (COA):
 - Account numbers
 - Account titles
 - Description of the transactions to be recorded in the account
 - Instructions on recording the transaction in the account

The following table summarises, the accounts for each electricity business (generation, transmission, distribution) prescribed in this volume:-

Balance Sheet Accounts	Electric utility plant
	Other property and investment
	Current and accrued assets
	Deferred debits
	Owners' equity
	Long term debt
	Other non-current liabilities
	Current and accrued liabilities
	Deferred credits
Income & Expense Accounts	Utility operating income
	Operating & maintenance expenses
	Other income & deductions
	Depreciation/amortization expenses
	Regulatory debits and credits
	Administrative and general expenses
	Unusual/infrequent items
	Interest charges
	Taxes

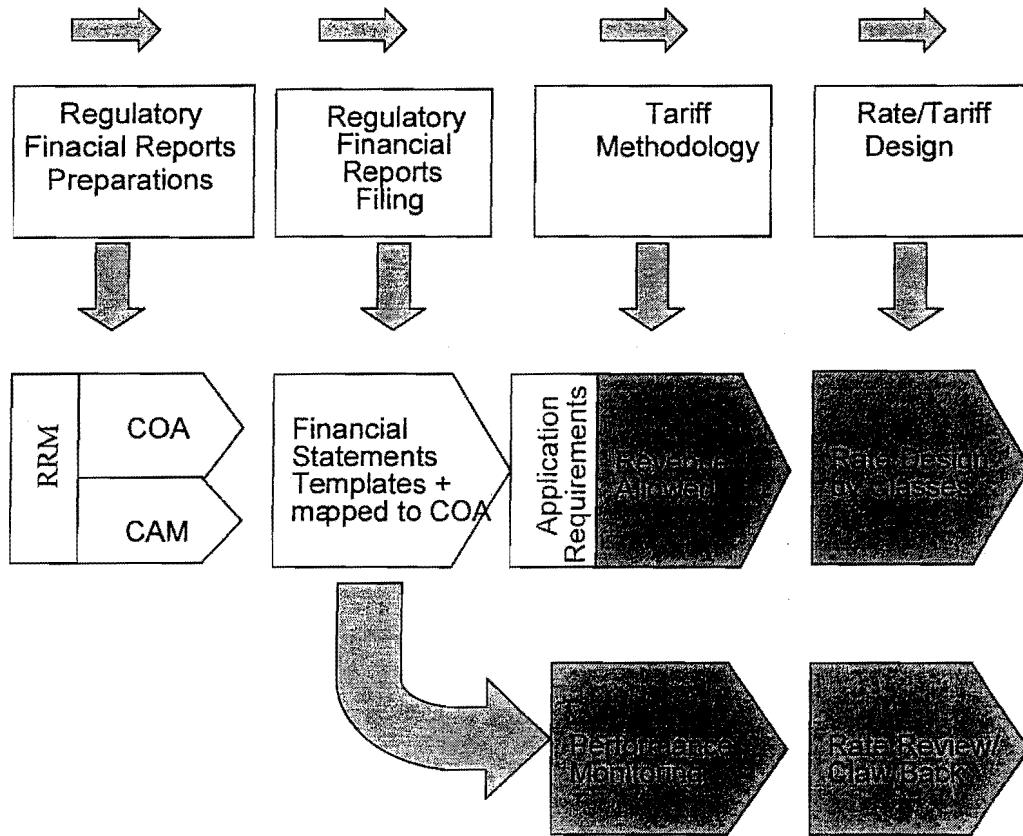
	Sale of Electricity (G to T; T to D, G to D); and Distribution to Customer as listed below:
	• Domestic low (Indigent)/ Prepaid
	• Domestic high (Conventional)
	• Commercial conventional (Single Phase)
	• Commercial conventional (3-Phase)
	• Commercial prepaid
	• Industrial (400 Volts) (Low Voltage)
	• Industrial (11 000V) (High Voltage), etc
	Other revenues
Operating revenues	
Operating and maintenance expenses	Generation expenses
	Transmission expenses
	Distribution expenses
	Customer account expenses
	Customer service, sales,
	General and administrative expenses
	Load settlement expenses

Implementation and compliance with the account structure prescribed in this Volume will achieve the following outcomes desired by the Energy Regulator:-

- ✓ Cost separation between regulated and non-regulated businesses
- ✓ Functionalization – recording by functional categories, namely; generation, transmission, and distribution.
- ✓ Classification of costs – main categories e.g. plant, opex, and taxes and sub-category or sub-accounts, e.g. the electric plant has such sub-accounts as; land and land rights, generators, structures and improvements.
- ✓ Amenable to allocation of costs to rate classes – the costs of each functional category classified by consumption or causation characteristics i.e. demand (capacity), energy (commodity), customer and revenues. Customers should be divided into rate classes for the purpose of allocating costs to service and designing rate.

1.2 Linking Regulatory Reporting to Other Regulatory Activities

The following diagram provides a high level perspective of the place Regulatory Reporting occupies in the regulatory process and the linkage thereto.



1.3 List of Acronyms

1. ABC – Activity Based Costing
2. CAM – Cost Allocation Manual
3. DSM – Demand Side Management
4. ERP – Enterprise Resource Planning
5. FAQ - Frequently Asked Questions
6. G & A – General and Administrative
7. GAAP¹ – Generally Accepted Accounting Practice
8. IFRS – International Financial Reporting Standards
9. IT – Information Technology
10. NBV – Net Book Value
11. PFMA – Public Finance Management Act, 1999 (No 01 of 1999 and as amended by Public Finance Management Amendment Act, No 29 of 1999)
12. RRM – Regulatory Reporting Manual
13. REDs – Regional Electricity Distributors
14. RAV – Regulatory Asset Value
15. RV – Regulatory Value
16. SLA – Service Level Agreement

1.4 Terminology

1. Affiliate or Associate or Related Party- includes corporations or business enterprises that are: - [1] members of the same group of companies as the corporate entity, including subsidiaries, joint venture partners, joint venture companies and other similar arrangements, and the group's associated companies over which the corporate entity's ultimate shareholder (where ultimate shareholder excludes the Government) can exert significant influence; and [2] companies outside the group of companies of which the corporate entity is a member, over which the corporate entity's ultimate shareholder (where the ultimate shareholder excludes the Government) can exert significant influence.
2. Cost Allocation – is the process of correctly assigning a single cost to more than one business unit, activity, process, product or service in a manner that prevents cross subsidization.
3. Cost Allocator - is a formula or ratio for sharing the cost of an activity among those which cause the cost to be incurred.
4. Cost Driver – is a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

¹ South Africa Institute of Chartered Accountants (SAICA)/ Accounting Practices Board (APB) agreed from 2004 to issue International Financial Reporting Standards (IFRS) as South Africa Statements of GAAP without amendment.

5. Cross subsidisation – is when a firm, producing more than one product, uses the revenues from the sale of one product to cover the costs of producing another product or, the process of assigning costs between divisions/services/products in a manner that does not objectively reflect the manner in which the costs are incurred.
6. Depletion Accounting – is an accounting practice that places charges against earnings based on resources extracted/removed from total natural resources reserves in an entity's books of accounts.
7. Direct Costs – are costs that are specifically incurred on behalf of a specific entity with an identifiable causal relationship with a business unit, activity, process, product or service. Direct assignment is applied in case of direct costs.
8. Distribution - is as defined by the Electricity Regulation Act, 2006 (Act No 4 of 2006).
9. Distribution Power System - is as defined by the Electricity Regulation Act, 2006 (Act No 4 of 2006). DME or Department – Department of Minerals and Energy of the Republic of South Africa.
10. Electricity Regulation Act - Electricity Regulation Act, 2006 (Act No 4 of 2006).
11. Energy Regulator – National Energy Regulator of South Africa (NERSA) established in terms of section 3 of the National Energy Regulator Act, 2004 (Act No 40 of 2004).
12. Fully Allocated Cost – is the total of all direct and indirect costs including cost of capital incurred in providing both regulated and non-regulated goods and/or services..
13. Government – Government of the Republic in South Africa.
14. Historical Cost – "actual cost" or "original cost" or "purchase price" of the asset. Where no historical cost information exists, RAV is the deemed historical cost at the commencement of economic regulation
15. Incremental Costing or Marginal Costing – is a pricing approach based on only the additional cost of producing a product/service while the pre-existing products/services support the fixed costs.
16. Indirect Costs - are those costs which are not directly assignable to a product or service, but incurred by an entity or business unit in producing the regulated product or service. This includes, but is not limited to, overhead costs, administrative and general costs, and taxes. Indirect costs are allocated based upon a methodology as set forth in this Manual.
17. Joint Costs – are those costs which do not have a specific, identifiable causal relationship with a particular entity or affiliate, but which benefit all affiliates/business units, or more than one. Joint costs are also referred to as common costs, and include corporate costs.
18. Licensee – a holder of a licence granted or deemed to have been granted by the Energy Regulator under the National Energy Regulator Act, 2004 (Act No 40 of 2004), Electricity Regulation Act, 2006 (Act No 4 of 2006). Licensee and Regulated Entity shall be used interchangeably
19. Long-lived asset – Asset with economic (service) life that spans over several years.

20. Manual – Regulatory Reporting Manual.
21. Minister – Minister of Minerals and Energy.
22. Modified Historical Cost - is historical cost indexed by inflation.
23. National Energy Regulator Act – National Energy Regulator Act, 2004 (Act No 40 of 2004).
24. National Treasury – Department of National Treasury of the Republic of South Africa
25. NERSA – National Energy Regulator of South Africa.
26. Regulatory Assets/Debits - are assets/debits that result from tariff setting/approval actions/decisions of the Energy Regulator. Regulatory assets/debits arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Regulatory Reporting Manual. However, due to the Energy Regulator decision, such items are deferred and instead will be included in a different period(s) for purposes of developing the tariffs the licensee is authorized to charge for its regulated services; or
27. Regulatory Liabilities/Credits – are liabilities/credits that result from tariff setting/approval actions/decisions result from tariff setting/approval actions/decisions of the Energy Regulator. Regulatory liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general accounting. However, due to an Energy Regulator decision a liability arises requiring the licensee for, instance, to make a refund to customers.

Examples of Items that may become Regulatory Assets or Liabilities as a result a regulatory decision be Energy Regulator:-

- (a) un-recovered plant and regulatory study costs where construction has been cancelled;
 - (b) rate moderation or rate smoothing plans/deferred rate impact amounts
 - (c) deferred losses/gains from disposition of a regulated plant;
 - (d) gains/losses on derivative financial assets/liabilities;
 - (e) plant acquisition adjustments;
 - (f) primary energy variations; and
 - (g) claw-backs, etc.
28. Regulated Business - any licensee, service or activity that is subject to regulation by the NERSA in terms of the National Energy Regulator Act No 40 of 2004, or the Electricity Regulation Act No 4 of 2006.
 29. Regulated Entity – Regulated Business.
 30. Regulatory Reporting Manual (RRM) – Detailed regulatory reporting procedures, requirements and guidelines to be implemented by the regulated entities.

31. Regulatory Financial Reports or Regulatory Financial Statements – financial records and statements to be prepared and submitted to the Energy Regulator by a regulated entity as prescribed by this Regulatory Reporting Manual.
32. Service Life of Asset - estimated economically useful life of depreciable property as supported by engineering, economic, or other depreciation studies.
33. Shared Services – are services that are corporate or general purpose in nature, are used by various or all business units, but are not operations related.
34. Transmission is as defined by the Electricity Regulation Act, 2006 (Act No 4 of 2006).
35. Transmission Power System is as defined by the Electricity Regulation Act, 2006 (Act No 4 of 2006)
36. Transfer Pricing – the pricing of products/services that one affiliate/business unit supplies to another affiliate/business unit of the same organization.
37. Unregulated Business - entity, service or activity that is not subject to regulation by the Energy Regulator.
38. Other accounting terminologies used herein, unless defined otherwise in the RRM, will take the same meaning as that given in the IFRS and/or South African GAAP/GRAP

1.5 General Instructions

1. Distribution of Pay and Expenses of Employees.

The charges to electric plant, operating expense and other Accounts for services and expenses of employees engaged in activities chargeable to various Accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impracticable, upon the basis of a study of the time actually engaged during a representative period.

2. Payroll Distribution.

Underlying accounting data should be maintained so that the distribution of the cost of labour charged direct to the various Accounts will be readily available.

Such underlying data shall permit a reasonably accurate distribution to be made of the cost of labour charged initially to clearing accounts so that the total labour cost may be classified among construction, cost of removal, electric operating functions (hydraulic generation, transmission, distribution, etc.) and non-utility operations.

3. Income Taxes

In calculating regulated business income taxes, the licensee should maximize all the allowed deductions for income tax. Only those income taxes on regulated business income that is currently payable should be included as a "pass-through" in the allowable revenue/customer rates.

Each utility must disclose in detail the methodology used to calculate income tax, in its tariff application.

The Energy Regulator may also prescribe appropriate methodology for calculating tax, or determine "all-inclusive" allowable revenue so that income tax expense need not be considered separately.

4. Accounting for derivative instruments and hedging activities

Utilities should recognize derivative instruments as either assets or liabilities in the financial statements and apply accounting treatment and disclosure requirements as prescribed by the South African GAAP/IFRS/GRAP.

The regulated entity is required to report transparently the cost and frequency of trading in financial instruments and hedging strategy. Speculative trading in financial instruments will not be allowed by the Energy Regulator in tariff applications.

The Energy Regulator will decide on how gains/losses from financial instruments and hedges, should be apportioned over time and to customer classes.

5. Accounting for asset retirement Obligations

An Asset Retirement Obligation represents a liability for the legal obligation associated with the retirement of a tangible long-lived asset that a company is required to settle as a result of an existing or enacted law, statute, ordinance, or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel. An Asset Retirement Cost represents the amount capitalized when the liability is recognized for the long-lived asset that gives rise to the legal obligation.

The Utility should initially record a liability for an asset retirement obligation in the account for "Asset Retirement Obligations", and charge the associated Asset Retirement Costs to electric utility plant, and non-utility plant, as appropriate, related to the plant that gives rise to the legal obligation. The Asset Retirement Cost shall be depreciated over the useful life of the related asset that gives rise to the obligations. For periods subsequent to the initial recording of the asset retirement obligation, a Utility shall recognize the period to period changes of the Asset Retirement Obligation that result from the passage of time due to the accretion of the liability and any subsequent measurement changes to the initial liability for the legal obligation recorded in the account for "Asset Retirement Obligations", as follows:

- (1) the licensee shall record the accretion of the liability by debiting the account for:-
 - (a) "Accretion Expense" from asset retirement obligation, in the case of a regulated plant in service;
 - (b) "Expenses of plant leased to others, in the case of a plant leased to others";
 - (c) "Interest, dividend and other income", in the case non-regulated plant;and crediting the account for "Asset Retirement Obligations"; and
- (2) the licensee shall recognize any subsequent measurement changes of the liability initially recorded in the account for "Asset retirement obligations", for each specific Asset Retirement Obligation as an adjustment of that liability in the account for "Asset Retirement Obligations" with the corresponding adjustment to electric utility plant, electric plant leased to others, and non-utility plant, as appropriate. The Utility shall on a timely basis monitor any measurement changes of the asset retirement obligations.

Gains or losses resulting from the settlement of Asset Retirement Obligations associated with utility plant resulting from the difference between the amount of the liability for the Asset Retirement Obligation included in the account for Asset Retirement Obligations, and the actual amount paid to settle the obligation shall be credited to the account for "Gains / Losses from disposition of utility plant".

Gains or losses on the settlement of Asset Retirement Obligations associated with non-utility plant resulting from the difference between the amount of the liability for the Asset Retirement Obligation account, Asset Retirement Obligations, and the amount paid to settle the obligation, shall be accounted for as follows:-

- (1) gains shall be credited to the account for "Revenues from non-utility operations" and;
- (2) losses shall be charged to the account for "Expenses of non-utility operations".

6. Research Development and Demonstration (RD&D)

RD&D is the expenditures incurred by a Licensee either directly or through another person or organization (such as a research institute, industry association, foundation, university, engineering company or similar contractor) in pursuing research, development, and demonstration activities as defined by the South African GAAP/IFRS and the regulated entity should apply the accounting treatment and disclosure requirements as prescribed by the South African GAAP/IFRS. Generally RD&D expenditures would typically include the following:-

A. Research:-

- (i) laboratory research aimed at discovery of new knowledge.
- (ii) searching for applications of new research findings or other knowledge.
- (iii) conceptual formulation and design of possible product or process alternatives.

B. Development:-

- (i) testing in search for, or evaluation of, product or process alternatives.
- (ii) design, construction, and testing of pre-production prototypes and models.
- (iii) design of tools, jigs, molds and dies involving new technology.

7. Tariff principles with respect to discrimination and cross-subsidy

Section 16 (1)(d) of the Electricity Regulation Act provides that "A license condition determined under section 15 relating to the setting or approval of prices, charges and tariffs and the regulation of revenues must avoid undue discrimination between customer"; and according to Section 16 (1) (e), may permit the cross-subsidy of tariffs to certain classes of customers.

The interpretation of this cross-subsidy provision in the RRM is such that the cross-subsidy should be reflected at tariff setting (rate-design) level and therefore at determination of the revenue requirement, but not in the way the accounting records and especially cost allocation is conducted by the utility. By so doing, the RRM not only allows for the intended objective of the Electricity Regulation Act in this respect but also makes occurrence and magnitude of cross-subsidy more transparent.

1.6 Plant Instructions

1. *Classification of Electric Plant at effective date of the RRM*

- (a) The balances in the various plant accounts, as determined under the prior system of accounts, should be carried forward and categorized to this chart of accounts.
- (b) The detailed electric plant accounts should be stated on the basis of cost to the Utility of plant constructed by it and the original cost, or approved vesting Regulatory Value if original cost is not known, of plant acquired. The difference between the original cost, as above, and the cost to the Utility of electric plant after giving effect to any accumulated provision for Depreciation or Amortization should be recorded in the account for "Electric plant acquisition adjustments".
- (c) Plant acquired by lease which qualifies as asset under capital under SA GAAP/IFRS/GRAP should be recorded in the account for "Property under capital leases".
- (d) Plant accounts should be maintained to record separately expenditures for each plant addition, replacement, and retirement.
- (e) Any installation or property not used in regulated utility operations should be recorded in the account for "Other Plant"

2. *Electric Plant Should Be Recorded at Historical Cost*

- (a) Unless otherwise specified by the Energy Regulator, all amounts included in the Accounts for electric plant should be recorded at historical cost, except for property acquired by lease which qualifies as capital lease property and in which case it should be recorded in the account for "Property under capital leases, in accordance with SA GAAP/IFRS on Accounting for Leases.

The Energy Regulator may also make a once-off determination of a vesting Regulatory Value of an asset as specified in the RRM Volume 1, at the commencement of economic regulation or implementation of the RRM.

- (b) When the consideration given for acquired or sold property is other than cash, the value of such consideration should be determined based on what would have been paid if it were purchased in cash value. In the entry recording such transaction, the actual consideration should be described with sufficient details to identify it. The Utility should be prepared to furnish the Energy Regulator with the particulars of its determination of the cash value of the consideration if other than cash.

(c) When property is purchased under a plan involving deferred payments, no charge should be made to the electric plant Accounts for interest, insurance, or other expenditures occasioned solely by such form of payment.

(d) When contributions, like government grants or customer payments, in aid of construction are received in the form of monies, the amount received should be recorded in the account for "Cash" and in the related asset contra account for "Gross value of contributions and grants-credit". This account will be amortized as prescribed by the Energy Regulator. These contributions should be recorded by rate class. If a contribution does not relate to a single rate class then the contribution should be allocated between rate classes in an objective manner.

(e) When an asset is added to electric plant, the cost thereof should be added to the appropriate electric plant account.

3. Electric Plant Sold/Retired.

(a) When electric plant is sold, conveyed, or transferred to another by sale, merger, consolidation, or otherwise, the book cost of the property sold or transferred to another should be credited to the appropriate utility plant accounts, including amounts carried in the account for "Electric plant acquisition adjustments". The amounts (estimated if not known) carried with respect thereto in the accounts for accumulated provision for depreciation and amortization and in the account for "Customer advances for construction", should be charged to such accounts. Unless otherwise ordered by the Energy Regulator, the difference, if any, between (1) the net amount of debits and credits and (2) the consideration received for the property (less Commissions and other expenses of making the sale) should be recorded in the account for "Gains /Losses from disposal of utility plant".

(b) When an asset is retired from electric plant, with or without replacement, the book cost (the amount at which such property is included in the electric plant accounts, including all components of construction costs) thereof should be credited to the electric plant account in which it is recorded. If the asset is of a depreciable class, the book cost of the asset retired and credited to electric plant should be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and the salvage should be charged or credited, as appropriate, to such accumulated provision for depreciation account applicable to such property.

NOTE: In cases where existing Utilities merge or consolidate because of financial or operating reasons or statutory requirements rather than as a means of transferring title of purchased properties to a new owner, the accounts of the constituent Utilities may be combined. In the event original cost has not been determined, the resulting Utility shall proceed to determine such cost as outlined herein.

4. Allowance for funds used during construction.

Allowance for funds used during construction includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate of return on other funds when so used, not to exceed, without prior approval of the Energy Regulator, allowances computed in accordance with the formula prescribed in paragraph (a) of this subparagraph. No allowance for funds used during construction charges shall be included in these accounts for expenditures arising from construction projects which have been abandoned.

(a) The formula and elements for the computation of the allowance for funds used during construction shall be the approved average weighted average cost (WACC) of capital multiplied by the sum of:-

- (i) average balance in construction work in progress,
- (ii) plus average capital inventory balance,
- (iii) less construction accounts payable,
- (iv) less asset retirement costs (if any are included in construction work in progress).

(b) The weighted average cost rate shall be determined in the manner indicated and approved by the Energy Regulator for the applicable year.

NOTE A: When only a part of a plant or project is placed in operation or is completed and ready for service but the construction work as a whole is incomplete, that part of the cost of the property placed in operation or ready for service, shall be treated as Electric Plant in Service and allowance for funds used during construction thereon as a charge to construction shall cease. Allowance for funds used during construction on that part of the cost of the plant which is incomplete may be continued as a charge to construction until such time as it is placed in operation or is ready for service, except as limited above.

NOTE B: No allowance for funds used during construction will be included for projects where a 100% contribution has been received up front on a direct assigned project. For those projects where contributions are received up front and no allowance for funds used during construction is calculated, the contribution would be included in the rate base in the same period as the asset.

5. Asset retirement costs.

Amounts that are capitalized will increase the carrying amount of long lived assets when a liability for a long lived asset is recognized. Unless otherwise directed by the Energy Regulator, these amounts will not be recognized in the rate base.

6. Land and Land Rights.

(a) The accounts for land and land rights will record the cost of land owned by the Utility and rights. These accounts should also include interests, and privileges held by the Utility in land owned by others, such as leaseholds, easements, water and water power rights, diversion rights, submersion rights, rights-of-way, and other like interests in land.

(b) Separate entries should be made for the acquisition, transfer, or retirement of each parcel of land (excluding land rights) having a life of more than one year. A record should be maintained showing the nature of ownership, full legal description, and a date of recording of the land deed. Entries transferring or retiring land shall refer to the original entry recording its acquisition.

(c) Any difference between the amount received from the sale of land, less agents' commissions and other costs incident to the sale, and the book cost of such land or rights, should be recorded in the account for "Gains /Losses from disposition of utility plant". Appropriate adjustments of the accounts should be made with respect to any structures or improvements located on land sold.

(d) The cost of buildings and other improvements (other than public improvements) should not be included in the land accounts. If at the time of acquisition of an interest in land such interest extends to buildings or other improvements (other than public improvements) which are then devoted to utility operations, the land and improvements shall be separately appraised with the cost allocated to land and buildings or improvements on the basis of the separate appraisals. If the improvements are removed or wrecked without being used in operations, the cost of removing or wrecking shall be charged and the salvage credited to the account in which the cost of the land is recorded.

(e) When the purchase of land for electric operations requires the purchase of more land than needed for such purposes, the charge to the specific land account shall be based upon the cost of the land purchased, less the proportionate cost of that portion of the land which is not to be used in utility operations. The portion of the cost measured by the fair market value of the land not to be used shall be recorded in the account for "Electric plant held for future use" or the account for "Non-utility property", as appropriate.

7. Buildings, Structures and Improvements.

The accounts for structures and improvements will record the cost of all buildings and facilities to house, support, or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings, or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to the land. Also included

are those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

Lighting or other fixtures temporarily attached to buildings for purposes of display or demonstration should not be included in the cost of the building but in the appropriate equipment account.

8. Asset Record System.

Each Utility should record all construction, Acquisitions, and retirements or retirements of electric plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of electric plant or the retirements may be included with the construction work order, provided, however, that all items relating to the retirements shall be kept separate from those relating to construction and provided, further, that any maintenance costs involved in the work shall likewise be segregated.

Each Utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements are classified so as to show the number and cost of the various additions or retirements.

9. Transfers of Assets.

When Assets are transferred from one electric plant account to another, from one Utility department to another, such as from electric to gas, from one operating division or area to another, to or from Accounts, "Electric plant in service", "Electric plant leased to others", "Electric plant held for future use", "Non-utility property", the transfer shall be recorded by transferring the original cost thereof from the one account, department, or location to the other. Any related amounts carried in the accounts for accumulated provision for depreciation or amortization shall be transferred in accordance with the segregation of such accounts.

10. Common Utility Plant.

(a) If the Utility is engaged in more than one utility service and any of its utility plant is used in common for several utility services or for other purposes to such an extent and in such manner that it is impracticable to segregate it by utility services currently in the accounts, such property, with the approval of the Energy Regulator, may be designated and classified as common utility plant in a separate account as specified by the Utility.

(b) The Utility should be prepared to show at any time and to report to the Energy Regulator annually, or more frequently, if required, and by utility plant accounts (301 to 399.2) the following: (1) The book cost of common utility plant, (2) The allocation of such cost to the respective departments using the common utility plant, and (3) The basis of the allocation.

(c) The accumulated provision for depreciation and amortization of the Utility shall be segregated so as to show the amount applicable to the property classified as common utility plant.

(d) The expenses of operation, maintenance, rents, depreciation and amortization of common utility plant shall be recorded in the accounts prescribed herein, but designated as common expenses, and the allocation of such expenses to the departments using the common utility plant shall be supported in such manner as to readily reflect the basis of allocation used. To the maximum extent possible the fully allocated cost approach should be applied in allocating these costs.

11. Plant Equipment Held for Emergency in Stores.

Plant equipment held for emergency in stores are non rotational in nature and are considered to be capital assets and as such are included in Plant in service. Plant equipment held for emergency in stores is depreciated at the standard rate for the specific asset class. Example items include transformers, meters, current transformers / potential transformers, circuit breakers, regulators, conductors, and tower materials. Utilities must disclose the value of emergency stores in each asset class, when so requested.

1.7 Operating Expense Instructions

1. Supervision and Engineering Activities

(a) The supervision and engineering recorded in the operating expense accounts shall consist of the pay and expenses of superintendents, engineers, clerks, other employees and consultants engaged in supervising and directing the operation and maintenance of each utility function.

(b) Wherever allocations are necessary in order to arrive at the amount to be included in any account, the fully allocated cost method and this basis of allocation shall be reflected by underlying records.

2. Operating & Maintenance Activities.

(a) The cost of operation and maintenance chargeable to the various operating expense and clearing accounts includes labour, materials, overheads and other expenses incurred in operating and maintenance work.

(b) Materials recovered in connection with the maintenance of property shall be credited to the same account to which the maintenance cost was charged.

3. Rents.

(a) The rent expense account, "Rents" shall include all rents, (for field offices, retail offices and head office) for property used in utility operations, except:

(1) minor amounts paid for occasional or infrequent use of any property or equipment and all amounts paid for use of equipment that, if owned, would be included in plant accounts, which shall be treated as an expense item and included in the appropriate functional account and

(2) rents which are chargeable to clearing accounts, and distributed to the appropriate account. If rents cover property used for more than one function, such as generation, and transmission, or by more than one department, the rents shall be apportioned to the appropriate rent expense or clearing accounts of each department on an actual, or, if necessary, a fully allocated cost basis.

(b) When a portion of property or equipment rented from others for use in connection with utility operations is subleased, the revenue derived from such subleasing shall be credited to the account for "Miscellaneous revenue" - other.

(c) The cost, when incurred by the lessee, of operating and maintaining leased property, shall be charged to the accounts appropriate for the expense if the property were owned.

(d) The cost incurred by the lessee of additions and replacements to electric plant leased from others shall be accounted for as provided in Electric Plant Instruction.

4. Training Costs.

When it is necessary that employees be trained to specifically operate or maintain plant facilities, the related costs shall be accounted for as a current operating and maintenance expense. These expenses shall be charged to the appropriate functional accounts currently as they are incurred.

5. Labour, Benefits, Contractor Services and Other,

Utilities need to be able to provide the breakdown of all functions (power generation expenses, transmission expenses, distribution expenses, customer accounts expenses, customer service and informational expenses, sales expenses, administrative and general expenses, and load management & optimization expenses by labour, benefits, contractor services including consultants, and other).

6. Depreciation

(a) Unless otherwise approved by the Energy Regulator, a licensee should charge depreciation by using the straight-line method. The alternative depreciation methods that the Energy Regulator may choose from in authorising an alternative method include:-

(i) the use or unit of production method;

- (ii) the declining or diminishing value method; or
 - (iii) any other systematic method consistent with generally accepted accounting practices.
- (b) Monthly depreciation charges under the straight line method shall be computed by applying the annual percentage rate of depreciation to the depreciation base as of the first of each month and dividing the result by 12, or with the prior approval of the Energy Regulator, applying the annual percentage rate of depreciation to the depreciation base at the beginning of the company fiscal year and dividing the result by 12.
- (c) An appropriate depreciation rate should be used in computing depreciation charges to reflect the different estimated useful life of the respective assets in each class of plant accounts, or each plant account, or each group of assets within a plant account.
- (d) The depreciation rate should be based on the estimated service life of plant, as developed by a study of the company's history and experience (taking into account all relevant factors including variations in use, increasing obsolescence or inadequacy) and such engineering, economic or other depreciation studies and other information as may be available with respect to future operating conditions.
- (e) Whenever a licensee makes a tariff application, it must provide the Energy Regulator with information on depreciation rates for each group of plant accounts, each plant account or each group of assets within a plant account, accompanied by a statement showing their basis and the methods employed in their computation.

7. Primary Energy,

The regulated entity is required to report transparently the cost variances with respect to primary energy.

The Energy Regulator will prescribe on how variations with respect to primary energy, should be apportioned over time and to customer classes.

2 Account Numbering and Groupings

The account numbering system prescribed by RRM consists of a system of three digits as follows:

Account #	Account Description
100 – 199	Assets and Other Debits
200 – 299	Liabilities and other Credits
300 – 499	Detailed plant accounts
500 – 549	Income accounts
550 – 599	Revenue accounts
600 – 699	Generation, transmission and distribution expenses
900 – 949	Customer accounts, customer service and information, sales, general and administrative expenses

Note:

- Detailed Plant Accounts (300-499) flow into Account 101 Plant in Service.
- Detailed Operating Revenue Accounts (550-599) flow into Account 500 Operating Revenues
- Detailed Operating Expense Accounts flow into Account 601 Operation Expense or Account 602 Maintenance Expense.

In certain instances, numbers have been skipped to allow for possible later expansion or to permit better coordination with the numbering system for other utility departments.

The account numbers as prefixed to account description should be treated as parts of the titles. If a licensee, for its own purposes, adopts a different account numbering system, then that should be done in adherence to the instructions prescribed in RRM Volume 1 in this respect.

3 Balance Sheet Chart of Accounts

3.1 Assets and Other Debits

Non-Current Assets

1.1 Utility Plant

101	Electric plant in service
102	Property under capital leases
103	Experimental electric plant unclassified
104	Electric plant leased to others
105	Electric plant held for future use
106	Construction work in progress – Electric
107	Electric plant acquisition adjustment
108	Gross value of contributions and grants- credit
109	

- 109 Future Fuel Supplies
- 1.2 Accumulated Depreciation and amortization**
- 112 Accumulated depreciation of electric utility plant- Property, plant and equipments
- 113 Accumulated depreciation of electric plant acquisition adjustment
- 114 Accumulated amortization of contributions and grants
- 115 Accumulated depreciation for non-utility property
- 1.3 Other Property and Investments**
- 110 Non-utility property
- 120 Investment in associated companies
- 121 Investment in subsidiary companies
- 122 Derivative Financial Assets
- 123 Other Investments
- 1.4 Current Assets and Accrued Assets**
- 130 Cash
- 140 Accounts receivable
- 143 Accounts receivable impairments
- 145 Accounts receivable from associated companies
- 150 Fuel stock
- 154 Plant materials and operating supplies
- 155 Merchandise
- 158 Other materials and supplies
- 165 Prepayments
- 168 Derivative Financial Assets
- 174 Miscellaneous current and accrued assets
- 1.5 Deferred Debits**
- 180 Unamortized debt expense
- 181 Unamortized preferred share expense
- 182 Regulatory assets
- 183 Waste Management/Carbon Credits/Emissions Accumulated Provision Inventory
- 184 Conservation and Demand Side Management Expenditures and Recoveries
- 185 Conservation and Demand Side Management Contra Account
- 186 Miscellaneous deferred debits
- 190 Accumulated future income taxes

3.2 Liabilities and Other Credits

1.6 Owners' Equity/Contributed Capital

- 201 Ordinary shares issued

- 204 Preferred shares issued
- 216 Retained earnings/Accumulated surpluses & deficits

- 1.7 Long-Term Debt**
- 221 Bonds and other long-term debt
- 223 Advances from associated companies
- 225 Unamortized premium on long-term debt
- 226 Unamortized discount on long-term debt

- 1.8 Other Non-Current Liabilities**
- 227 Obligations under capital lease – non current
- 228 Accumulated provision for self insurance
- 229 Employee retirement pensions and benefit obligations
- 230 Asset retirement obligations

- 1.9 Current and Accrued Liabilities**
- 232 Accounts payable and accrued liabilities
- 235 Customer deposits
- 236 Current income taxes payable
- 237 VAT
- 239 Matured long-term and short-term debt
- 242 Miscellaneous current and accrued liabilities
- 243 Obligations under capital leases – current

- 2.0 Deferred Credits**
- 252 Customer advances for construction
- 253 Other deferred credits
- 254 Regulatory liabilities
- 281 Accumulated future income taxes

4 Electric Plant Accounts

- 4.1 Intangible Plant**
- 301 Incorporation and organizational start-up
- 302 Franchises and consents
- 303 Miscellaneous intangible plant

- 4.2 Generation Plant - Hydro**
- 305 Land
- 306 Land rights
- 307 Buildings, fixtures and improvements

- 308 Leasehold improvements
- 309 Reservoirs, dams, and waterways
- 310 Water wheels, turbines and generators
- 311 Accessory electric equipment
- 312 Miscellaneous power plant equipment
- 313 Roads, railroads and bridges
- 314 Asset retirement cost for hydro generation plant

4.3 Generation Plant - Coal

- 320 Land
- 321 Land rights
- 322 Buildings, fixtures and improvements
- 323 Leasehold improvements
- 324 Boiler plant equipment
- 325 Engines and Engine-Driven Generators
- 326 Turbo Generators units
- 327 Accessory power equipment
- 328 Miscellaneous power plant equipment
- 329 Roads, railroads and bridges
- 330 Asset retirement cost for coal power generation plant

4.4 Generation Plant – Gas/hydrocarbons

- 331 Land
- 332 Land rights
- 333 Buildings, fixtures and improvements
- 334 Leasehold improvements
- 335 Fuel holders, producers, and accessories
- 336 Prime movers
- 337 Generators
- 338 Accessory electric equipment
- 339 Miscellaneous power plant equipment
- 340 Roads, railroads and bridges
- 341 Asset retirement cost for gas/hydrocarbons power generation plant

4.5 Generation Plant – Nuclear

- 345 Land
- 346 Land rights
- 347 Buildings, fixtures and improvements
- 348 Leasehold improvements
- 349 Reactors
- 350 Generators

- 351 Accessory electric generation equipment
- 352 Miscellaneous power plant equipment
- 353 Roads, railroads and bridges
- 354 Asset retirement cost for nuclear generation plant

4.6 Transmission Plant

- 380 Land
- 381 Land rights
- 382 Buildings, fixtures and improvements
- 383 Leasehold improvements
- 384 Station equipment
- 385 System communication and control
- 386 Towers and fixtures
- 387 Poles and fixtures
- 388 Overhead conductors and devices
- 389 Underground conduit
- 390 Underground conductors and devices
- 391 Roads and trails
- 392 Asset retirement costs for transmission plant

4.7 Distribution Plant

- 400 Land
- 401 Land rights
- 402 Buildings, fixtures and improvements
- 403 Leasehold improvements
- 404 Transformer station equipment – Normally primary above 132kv
- 405 Transformer station equipment – Normally primary below 132kv
- 406 System communication and control
- 407 Storage battery equipment
- 408 Poles, towers and fixtures
- 409 Overhead conductors and devices
- 410 Underground conduit
- 411 Underground conductors and devices
- 412 Conventional meters
- 413 Automated/prepaid meters
- 414 Other installations on customer's premises
- 415 Leased property on customer premises
- 416 Street lighting and signal systems
- 417 Asset retirement costs for distribution plant

4.8 General Plant

- 430 Land
- 431 Land rights
- 432 Buildings, fixtures and improvements
- 433 Office furniture and equipment
- 434 Computer hardware and voice & data network equipment
- 435 Computer software and applications
- 436 Load settlement software applications
- 437 Transportation equipment, fleet vehicles
- 438 Tools, workshop, garage, stores and laboratory equipment
- 439 Measurement and testing equipment
- 440 Power operated equipment
- 441 Mobile communication equipment
- 442 Miscellaneous equipment
- 443 Other tangible property
- 444 Asset retirement cost for general plant

5 Income Statement Chart of Accounts

5.0 Utility Operating Revenue

- 500 Operating revenues - (540 to 599)
- 501 Operation expense - (600 to 999)
- 503 Depreciation and amortization expense
- 504 Depreciation expense for asset retirement costs
- 505 Amortization of electric plant acquisition adjustments
- 506 Regulatory debits
- 507 Regulatory credits
- 508 Taxes other than income taxes, utility operating income
- 509 Income taxes, utility operating income
- 510 Provisions for future income taxes, utility operating income
- 510.2 VAT, utility operating activities
- 511 Gains / Losses from disposition of utility plant
- 512 Accretion expense asset retirement obligation
- 513 Revenues from electric plant leased to others
- 514 Expenses of electric plant leased to others

5.1 Other Income and Deductions

A. Other Income

- 517 Revenues from non-utility operations
- 518 Expenses of non-utility operations
- 519 Equity in earnings of subsidiary companies
- 520 Interest, dividend and other income
- 521 Profit and Losses from Financial Instrument Hedges
- 522 Allowance for other funds used during construction

B. Other Deductions

- 523 Donations
- 524 Life insurance
- 525 Penalties
- 526 Expenditures for certain civic, political and related activities
- 527 Other deductions

5.2 Interest Charges

- 528 Interest on long-term debt
- 530 Interest on debt to associated companies
- 531 Short term interest and other interest expense

5.3 Unusual/infrequent Items

- 534 Unusual/infrequent income

535 Unusual/infrequent deductions

6 Operating Revenue Chart of Accounts

6.1 Revenue for Services - Generation

536 Generation services revenue

6.2 Revenue for Services - Transmission

537 Transmission services revenue

6.3 Revenue from Services - Distribution

538 Distribution services revenue

539 Electric services incidental to energy sales

6.4 Sale of Electricity (540 – 556 Distribution revenues)

540 Domestic low (Indigent)/Prepaid

541 Domestic high (Conventional)

542 Commercial Conventional (Single Phase)

543 Commercial Conventional (3-Phase)

544 Commercial Prepaid

545 Industrial (400 Volts) (Low Voltage)

546 Industrial (11 000 Volts) (High Voltage)

547 Special/Negotiated tariffs including energy sales to railroads and railways

548 Agricultural/ Rural/Farm dwellings tariffs

549 Sports grounds/Churches/Holiday/old age homes

550 Water pumps

551 Street Lighting

552 Government Assistance Directly Credited to Income

554 Own Use/Interdepartmental Energy Sales

556 Revenue Adjustment

NOTE: The above accounts for distribution Utilities tariff revenues are only indicative, and may not be exhaustive. The utilities should therefore endeavour to report distribution revenues by rate classes of the utility and should assign account numbers within the prescribed range such that each rate class receives its own account number.

558 Revenue – Affiliates & Inter-Affiliates

559 Miscellaneous service revenue

560 Export Sales

7 Operating and Maintenance Expenses Chart of Accounts

7.1 Generation Expenses – Operation & maintenance

- 600 Hydraulic expenses
- 605 Combustion engines/turbine operations
- 610 Fuel
- 615 Combustion engines/turbines maintenance
- 620 Other expenses
- 621 Allowance for emissions

7.2 Power Purchased and Other Power Supply expenses

- 625 Power Purchased
- 626 Charges-Transmission Electricity by Others
- 627 Charges-Distribution of Electricity by Others

7.3 Transmission expenses- Operation & maintenance

- 630 Operation & Maintenance Supervision and engineering
- 632 Operation & Maintenance Control centre operations
- 636 Operation & Maintenance Station equipment expenses
- 638 Operation & Maintenance Overhead lines expenses
- 640 Operation & Maintenance Underground lines expenses
- 642 Operation & Maintenance Miscellaneous transmission expenses
- 646 Operation & Maintenance servitude (right of way) payments
- 648 Operation & Maintenance of structures
- 650 Operation and Maintenance vegetation management
- 652 Operation & Maintenance IT support

7.4 Distribution expenses – Operation & Maintenance

- 655 Operation & Maintenance Supervision and engineering
- 657 Operation & Maintenance Control centre operations
- 659 Operation & Maintenance Station equipment expenses
- 661 Operation & Maintenance Overhead line expenses
- 662 Operation & Maintenance Underground line expenses
- 663 Operation & Maintenance Street lighting and signal system expenses
- 665 Operation & Maintenance Meter expenses
- 667 Operation & Maintenance Customer installations expenses
- 669 Operation & Maintenance Miscellaneous distribution expenses
- 671 Operation & Maintenance servitude (right of way) payments
- 673 Operation & Maintenance of structures
- 681 Operation and Maintenance vegetation management

683 Operation & Maintenance IT support

8 Customer Service, Sales, General & Admin Chart of Accounts

8.1 Customer Account Expenses

901 Supervision
902 Meter reading expenses
903 Customer records and collection expenses
904 Uncollectible accounts
905 Miscellaneous customer accounts expenses
906 IT customer service

8.2 Customer Service and Informational Expenses

907 Supervision
908 Customer assistance expenses
909 Informational and instructional advertising expenses
910 Miscellaneous customer service and informational expenses

8.3 Sales Expenses

916 Miscellaneous sales expenses

8.4 Administrative and General Expenses

920 Administrative and general salaries
921 Office supplies and expenses
922 Administrative expenses transferred— Credit
923 Outside services employed
924 Insurance premiums
925 Injuries and damages
926 Employee pensions and benefits
928 Energy Regulator expenses
930 General advertising expenses
931 Miscellaneous general expenses
932 Rents
933 Head office rent
934 IT G & A expense
935 Maintenance of general plant
941 Energy Regulator expenses disallowed

8.5 Load Settlement Expenses

- 944 Load settlement
- 945 IT load settlement

9 Text Pertaining to Non-Current Assets and Other Debits

9.1 Utility Plant

101 Electric plant in service

This account should contain the original cost of electric plant, included in accounts 301 to 499, prescribed herein, owned and in use by the Utility in its electric utility operations, and having an expectation of life in service of more than one year from date of installation, including such property owned by the Utility but held by nominees.

102 Property under capital leases

This account should contain the amount recorded under capital leases for plant leased from others and used by the Utility in its utility operations.

The electric property included in this account shall be classified separately according to the detailed accounts 301 to 499 prescribed for electric plant in service.

Records should be maintained with respect to each capital lease reflecting:

(1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lease payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid.

Records should also be maintained for plant under a lease, to identify the asset retirement obligation and cost originally recognized for each lease and the periodic charges and credits made to the asset retirement obligations and asset retirement costs.

103 Experimental electric plant

This account should record the cost of electric plant which was constructed as a research, development, and demonstration plant and due to the nature of the plant it is deemed desirable to operate it for a period of time in an experimental status.

Amounts in this account should be transferred to the "Electric plant in service" account, or "Non-utility property" account as appropriate when the project is no longer considered as experimental.

104 Electric plant leased to others

This account should record the original cost of electric plant owned by the Utility, but leased to others as operating units or systems, where the lessee has exclusive possession.

The property included in this account shall be classified according to the detailed accounts (301 to 499) prescribed for electric plant in service and this account shall be maintained in such detail as though the property were used by the owner in its utility operations.

105 Electric plant held for future use

This account shall include the original cost of electric plant owned and held for future use in electric service under a definite plan for such use, to include: (1) Property acquired but never used by the utility in electric service, but held for such service in the future under a definite plan, and (2) Property previously used by the utility in service, but retired or mothballed from such service and held pending its reuse in the future, under a definite plan, in electric service.

The property included in this account should be classified in a manner similar to the detail accounts 301 to 499 prescribed for electric plant in service and the account should be maintained in such detail as though the property were in service.

NOTE: Materials and supplies, and all assets held in reserve, and normal spare capacity of plant in service should not be included in this account.

106 Construction work in progress – Electric

This account should record the total of the balances of work orders for electric plant in process of construction.

Work orders should be cleared from this account as soon as practicable after completion of the job.

Expenditures on research, development, and demonstration projects for construction of utility facilities are to be included in a separate subdivision in this account. Records must be maintained to show separately each project along with complete detail of the nature and purpose of the research, development, and demonstration project together with the related costs.

107 Electric plant acquisition adjustment

This account should record the difference between:

(1) The cost to the accounting Utility of electric plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise, and

(2) The original cost, estimated, if not known, of such property, less the amount or amounts credited by the accounting Utility at the time of acquisition to accumulated provisions for Depreciation and Amortization and contributions in aid of construction with respect to such property.

Debit amounts recorded in this account related to plant and land acquisition may be amortized to the account, "Amortization of electric plant acquisition adjustments", over a period not longer than the estimated remaining life of the properties to which such amounts relates. Credit amounts recorded in this account should be accounted for as directed by the Energy Regulator.

108 Gross value of contributions and grants-credit

This account should record amounts relating to contributions or grants in cash, services or property from governments or government agencies, corporations, individuals and others received in aid of construction or for acquisition of capital assets.

This account should be maintained so that the company can supply information as to the purpose of each contribution or grant, the conditions, if any, on which it was made, the amount of contributions or grants from governments or government agencies, corporations, individuals and others and the amount applicable to each Electric Plant in Service account.

109 Future Fuel Supplies

This account should record amounts fuel mine reserves, including coal and nuclear that the utility owns for future extraction of fuel supplies for electric power generation.

The account should be reduced with the annual depletion in accordance with international best practices on Depletion Accounting for natural resources or/and as decided by the Energy Regulator.

110 Non-utility property

See below under "Other property and investments".

9.2 Accumulated Depreciation and ammortization

112 Accumulated depreciation of electric utility plant- Property, plant & equipment

This account should be credited with the following:

- (1) Amounts charged to the Depreciation expense account, for current depreciation expense for electric plant in service.
- (2) Amounts charged to the Depreciation expense for asset retirement costs account, for current depreciation expense charged to the applicable asset retirement cost account to such property.
- (3) Amounts charged to the, Interest, dividend and other income for Depreciation expense on property, Electric plant held for future use account. Include, also, the balance of accumulated

provision for Depreciation on property when transferred to Electric plant held for future use account, from other property accounts.

(4) Amounts charged to the account, Expenses of electric plant leased to others, for electric plant included in account, Electric plant leased to others.

(5) Amounts of Depreciation applicable to electric properties acquired as operating units or systems.

(6) Amounts of Depreciation applicable to electric plant donated to the Utility.

NOTE: The Utility should maintain separate sub-accounts for depreciation and sub accounts by plant account for accumulated depreciation applicable to electric plant in service, electric plant leased to others and electric plant held for future use.

At the time of retirement of depreciable electric utility plant, this account should be charged with the net depreciated original cost of the asset retired and the cost of removal and should be credited with the salvage value and any other amounts recovered, such as insurance or self insurance. When retirement, costs of removal and salvage are entered originally in retirement work orders, the net total of such work orders may be included in a separate sub-account. Upon completion of the work order, the proper distribution to subdivisions of this account should be made as provided in the following paragraph.

Although this account should be regarded and treated as a single composite provision for depreciation, for purposes of analysis, however, each Utility should maintain subsidiary records in which this account is segregated according to the following functional classification for electric plant:

- (1) Generation, separated between hydro, coal, nuclear, gas/hydrocarbons, other generation
- (2) Transmission,
- (3) Distribution, and
- (4) General.

These subsidiary records should reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification:

- (a) the amount of accrual for depreciation,
- (b) the book cost of property retired,
- (c) cost of removal,
- (d) salvage, and
- (e) other items, including recoveries from insurance, or self insurance.

When transfers of plant are made from one electric plant account to another, or from or to another utility department, or from or to non-utility property accounts, any related amounts carried in the accounts for accumulated provision for amortization should be transferred but segregation of such amounts should be maintained.

113 Accumulated depreciation of electric plant acquisition adjustment

This account should be credited or debited with amounts which are recorded in the account, "Amortization of electric plant acquisition adjustments" for the purpose of providing for the extinguishment of amounts in the account "Electric plant acquisition adjustments", in instances where the amortization of that account is not being made by direct write-off of the account.

114 Accumulated amortization of contributions and grants

This account should be debited with the total amount charged to the account, "Depreciation expense", for the current Amortization of customer contributions, or contributions in aid of construction. This should be tracked by rate class.

115 Accumulated depreciation for non-utility property

This account should record the accumulated provision for Depreciation and Amortization applicable to non-utility property.

9.3 Other Property and Investments**110 Non-utility property**

This account should record the book cost of land, structures, equipment, or other tangible or intangible property owned by the Utility, but not used in utility service and not included in the account "Electric plant held for future use".

This account should also include the amount recorded under capital leases for property leased from others and used by the Utility in its non-utility operations. Records shall be maintained with respect to each lease reflecting:

- (1) name of lessor,
- (2) basic details of lease,
- (3) terminal date,
- (4) original cost or fair market value of property leased,
- (5) future minimum lease payments,
- (6) executory costs,
- (7) present value of minimum lessee payments,
- (8) the amount representing interest and the interest rate used, and
- (9) expenses paid.

This account should be subdivided so as to show the amount of property used in operations which are non-utility in character but nevertheless constitute a distinct operating activity of the company and the amount of miscellaneous property not used in operations. The records in support of each sub-account should be maintained so as to show an appropriate classification of the property.

120 Investment in associated companies

This account should record the book cost of investments in securities issued or assumed by Associated Companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement, provided that the investment does not relate to a Subsidiary Company.

This account should be maintained in such manner as to show the investment in securities of, and advances to, each Associated Company together with full particulars regarding any of such investments that are pledged.

The Utility may write down the cost of any security in recognition of a decline in the investment value. Securities should be written off or written down to a nominal value if there is no reasonable prospect of substantial value. Fluctuations in market value should not be recorded but a permanent impairment in the value of securities should be recognized in the accounts.

121 Investment in subsidiary companies

This account should record the cost of investments in securities issued or assumed by Subsidiary Companies and investment advances to such companies, including interest accrued thereon when such interest is not subject to current settlement plus the equity in undistributed earnings or losses of such subsidiary companies since acquisition. This account shall be credited with any dividends declared by such subsidiaries.

This account should be maintained in such a manner as to show separately for each subsidiary:

- (1) the cost of such investments in the securities of the subsidiary at the time of acquisition;
- (2) the amount of equity in the subsidiary's undistributed net earnings or net losses since acquisition;
- (3) advances or loans to such subsidiary; and full particulars regarding any such investments that are pledged.

122 Derivative Financial Assets

This account should record the cost/value of derivative and hedging activities instruments as prescribed by the IFRS/GAAP/GRAP.

123 Other investments

This account should record the original cost of investments in securities issued or assumed by non-associated companies, investment advances to such companies, and any investments not accounted for elsewhere. This account should also include unrealized holding gains and losses on trading and available-for-sale types of security investments.

The records should be maintained in such manner as to show the amount of each investment and the investment advances to each person. Securities held in special deposits or in special funds shall be included in appropriate deposit or fund accounts.

9.4 Current Assets and Accrued Assets

130 Cash

This account should record; the amount of current cash funds and cash equivalents, special deposits with fiscal agents or others for the payment of interest (sinking funds), special deposits for the payment of dividends, deposits for special purposes other than the payment of interest and dividends, book cost of investments, such as demand and time loans, bankers' acceptances, government investment certificates, marketable securities, and other similar investments, acquired for the purpose of temporarily investing cash.

NOTE: Deposits for more than one year, which are not offset by current liabilities, should not be charged to this account but to the account for "Other investments".

This account should be so maintained as to show separately temporary cash investments in securities of associated companies and of others. Records should be kept of any pledged investments.

140 Accounts receivable

This account should record all receivables other than those amounts due from Associated Companies carried at costs.

143 Accounts receivable impairments

This account should be credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges should be made to, Uncollectible accounts, for amounts applicable to utility operations, and to corresponding accounts for other operations. Records shall be maintained so as to show the write-offs of account receivable for each utility department.

This account should be subdivided to show the provision applicable to the following classes of accounts receivable:

- (1) Utility customers.
- (2) Merchandising, jobbing and contract work.
- (3) Officers and employees.
- (4) Others

145 Accounts receivable from associated companies

This account should record receivables due, notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from the date of issue, together with any interest thereon. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from due date should be transferred to the account for, "Investment in associated companies".

INVENTORY

150 Fuel stock

This account should include the book cost of fuel on hand.

154 Plant materials and operating supplies

This account should record the cost of materials purchased primarily for use in the Utility business for construction, operation and maintenance purposes. This account should include also the book cost of materials recovered in connection with construction, maintenance or the retirement of property, such materials being credited to construction, maintenance or accumulated depreciation provision, respectively.

Materials and supplies issued should be credited to this account and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of weighted average and first-in-first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied.

155 Merchandise

This account should record the book cost of materials and supplies and appliances and equipment held primarily for retail sales. The principles prescribed in accounting for Utility materials and supplies shall be observed in respect to items carried in this account.

158 Other materials and supplies

This account should record the original cost of materials and supplies held primarily for non-utility purposes.

The principles prescribed in accounting for Utility materials and supplies shall be observed in respect to items carried in this account.

165 Prepayments

This account should record amounts representing prepayments of insurance, rents, taxes (excluding income tax instalments which are included in the account for "Current income taxes payable"), interest and miscellaneous items, and should be kept or supported in such manner as to disclose the amount of each class of prepayment.

168 Derivate Financial Assets**174 Miscellaneous current and accrued assets**

This account shall include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included herein.

9.5 Deferred Debits**180 Unamortized debt expense**

This account should record expenses related to the issuance or assumption of debt securities. Amounts recorded in this account should be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization should be on a monthly basis, and the amounts thereof shall be charged to the account for "Short term interest and other interest expense", or the account for "Interest on long-term debt" as appropriate.

181 Unamortized preference share expense

This account should record expenses related to the issuance of preference shares. Amounts recorded in this account should be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The Amortization should be on a monthly basis, and the amounts thereof should be charged to the account for "Short term interest and other interest expense", or the account for "Interest on long-term debt" as appropriate.

182 Regulatory assets

This account shall include the amounts of regulatory-created assets, not included in other accounts, resulting from the ratemaking actions of the Energy Regulator.

The amounts recorded in this account are to be established by those charges which would have been included in net income, determinations in the current period under the general accounting norms are being deferred and to be included in a different period(s) for purposes of developing rates that the Utility is authorized to charge for its utility services. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates, to the same account that would have been charged if included in income when incurred.

If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount should be charged to the account for "Other deductions", or account "Unusual/infrequent deductions", in the year of the disallowance.

The records supporting the entries to this account shall be kept so that the Utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

183 Emissions Accumulated Provisions Inventory

This account should record the cost of allowances owned by the utility and established in accordance with the Republic of South Africa Environment Act of the day.

This account should be credited with the amount concurrently debited to the account for "Allowances for Emissions" for monthly waste/carbon credit emissions.

Separate sub-divisions of this account should be maintained so as to separately account for those allowances that the Energy Regulator has approved to be usable in the current year and in each subsequent year. The underlying records of these accounts subdivisions should be maintained in sufficient detail so as to identify each allowance included; the origin of each allowance; and the acquisition cost, if any, of the allowance.

184 Conservation and Demand Side Management Expenditures and Recoveries

This account should record amounts to track the costs incurred for conservation and demand side management activities and expenditures, and the revenue proxy amount equivalent to the utility's amount approved by the Energy Regulator.

The amounts tracked in this account originating from activities, expenditures and revenue accounts should be reversed to these accounts of original entry. The offsetting entry should be recorded in the account for "Conservation and Demand Side Management Contra Account".

This account should be further sub-divided to be consistent with the Energy Regulator's approved DSM program initiatives for the utility.

Records should be maintained at an appropriate level of detail to permit the Energy Regulator review and verification of the amounts recorded therein.

185 Conservation and Demand Side Management Contra Account

This account should be used to record the offsetting entry for amounts recorded in the account "Conservation and Demand Side Management Expenditures and Recoveries", for the reversal of entries to the accounts of original entries.

186 Miscellaneous deferred debits

This account should record all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or unusual/infrequent expenses, not included in other accounts.

which are in process of amortization and items the proper final disposition of which is uncertain.

The records supporting the entries to this account should be so kept that the Utility can furnish full information as to each deferred debit included herein.

190 Accumulated future income taxes

This deferred debit account is provided to record future income taxes. An equal amount is charged to the account for "Provision for future income taxes, utility operating income.

10 Text Pertaining to Liabilities and Other Credits

10.1 Owners' equity/Contributed capital

201 Common shares issued

This account should record the stated or assigned value of common shares of each class issued.

When capital share is retired, this account should be charged with the amount at which such stock is carried herein.

A separate ledger account should be maintained for each class and series of common shares. The supporting records should show the shares nominally issued, actually issued, and nominally outstanding.

204 Preference shares issued

This account should record the stated or assigned value of preference shares of each class issued.

When capital stock is retired, these accounts should be charged with the amount at which such stock is carried herein.

A separate ledger account, with a descriptive title, should be maintained for each class and series of stock. The supporting records should show the shares nominally issued, actually issued, and nominally outstanding.

216 Retained Earnings/Accumulated surpluses & deficits

This account should record the balances, either debit or credit, of Retained Earnings arising from earnings of the Utility. This account should be debited with any dividends declared, payable or paid by the Utility.

This account should exclude any amounts representing the undistributed earnings of subsidiary companies.

10.2 Long-term debt

221 Bonds & other long-term debt

This account should record in a separate subdivision for each class and series of bonds the face value of the actually issued and un-matured bonds which have not been retired or cancelled; also the face value of such bonds issued by others the payment of which has been assumed by the Utility, as well as, until maturity, all long-term debt not otherwise provided for.

Separate accounts should be maintained for each class of obligation, and records should be maintained to show for each class all details as to date of obligation, date of maturity, interest dates and rates, security for the obligation, etc.

223 Advances from associated companies

This account should record the long-term portion of notes and other payables, to associated companies not otherwise provided for and the amount of open book accounts representing advances from associated companies. The current portion of should not be recorded in this account, but should be recorded in the account for, Accounts payable to associated companies

The records supporting the entries to this account should be so kept that the Utility can furnish complete information concerning each note and open account.

225 Unamortized premium on long-term debt

This account should record the excess of the cash value of consideration received over the face value upon the issuance or assumption of long-term debt securities.

Amounts recorded in this account should be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The Amortization should be on a monthly basis, with the amounts thereof to be credited to account for "Interest on long-term debt" or account for "Short term interest and other interest expense as appropriate.

226 Unamortized discount on long-term debt—Debit

This account should record the excess of the face value of long-term debt securities over the cash value of consideration received therefore, related to the issue or assumption of all types and classes of debt.

Amounts recorded in this account should be amortized over the life of the respective issues under a plan which will distribute the amount equitably over the life of the securities. The amortization should be on a monthly basis, with the amounts thereof charged to the account

for "Interest on long-term debt" or the account for "Short term interest and other interest expense" as appropriate.

10.3 Other non-current liabilities

227 Obligations under capital lease— non-current

This account should record the portion not due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in the account for "Property under capital leases" or account for "Non-utility property".

228 Accumulated provision for self insurance

This account should record amounts reserved by the Utility for losses through accident, fire, flood, or other hazards to its own property or property leased from others, and for losses for bodily injury and property damage to third parties, not covered by insurance. The amounts charged to the account for "Injuries and damages", or other appropriate accounts to cover such risks should be credited to this account. A schedule of risks covered should be maintained, giving a description of the property involved, the character of the risks covered and the rates used. This account should be debited by amounts actually incurred by the Utility for the losses noted above.

Charges should be made to this account for losses covered. Details of these charges should be maintained according to the year the casualty occurred which gave rise to the loss.

All claims charged to this account will be subject to scrutiny by the Energy Regulator and interested parties and the onus will be on the utility to justify that customers should bear the costs.

229 Employee retirement and benefit obligations

This account should record the unamortized portion of past service costs related to future benefits and pensions which will be expensed in future periods.

230 Asset retirement obligations

This account should record the amount of liabilities for the recognition of asset retirement obligations related to electric utility plant and non-utility plant that gives rise to the obligations. This account should be credited for the amount of the liabilities for asset retirement obligations with amounts charged to the appropriate electric utility plant accounts or non-utility plant account to record the related asset retirement costs.

The Utility should charge the accretion expense to the account for "Accretion expense" from asset retirement obligation, for electric utility plant, the account for "Expenses of electric plant leased to others", for electric plant leased to others, as appropriate, and credit the account for "Asset retirement obligations".