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UNIFORM SYSTEM OF ACCOUNTING

USOA REPORTING FORMS FOR GEORGIAN GAS SECTOR
COMPANIES

USAID ENERGY PROGRAM

30 May 2019

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USAID CONTRACTING OFFICER'S

REPRESENTATIVE: NICHOLAS OKRESHIDZE

AUTHOR(S): NELI (NEKA) DANELIA, GAGIK HOVHANNISYAN

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DATA

Reviewed by: Ivane Pirveli, Davit Mujirishvili

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ACRONYMS

CF	Cash Flow Statement
CoA	Chart of Accounts
FY	Financial Year
GEL	Georgian Lari
GNERC	Georgian National Energy and Water Supply Regulatory Commission
IA	Intangible Assets
ID	Identifier
IFRS	International Financial Reporting Standards
IS	Income Statement
KM	Kilometer
PPE	Property, Plant and Equipment
SARAS	Service for Accounting, Reporting and Auditing Supervision
USAID	United States Agency for International Development

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BACKGROUND

According to the international best practice, regulatory financial information must be relevant, reliable, comparable, verifiable, transparent and comprehensive. To ensure the coherence of data, to avoid double counting and to detect anti-competitive effects its common practice in United States of America, Canada, Asia and Some European Union countries to develop and implement the regulatory accounting – unified accounting system for rate regulated entities so called Uniform System of Accounting (USoA).

USAID through its Hydropower Investment Promotion Project (HIPP March 2010-August 2013) and its Hydro Power and Energy Planning Project (HPEP starting September 2013) provided guidance to Georgia National Energy and Water Supply Regulatory Commission (GNERC) in reforming the regulatory framework including development of the USoA for the electricity sector of Georgia. It was developed Regulatory Chart of Accounts (CoA) for the electricity sector, instructions to the CoA and performed capacity building of GNERC and the electricity sector generation, transmission, dispatch and distribution licensees. Later in December 2016 USoA and its constituent parts were approved by GNERC through its administrative procedures. USoA for rate regulated electric utilities would become mandatory from January 2019. The period between the approval of USoA and its mandatory application were allocated for the preparatory works for the transition to the regulatory accounting mandatory rules.

Considering the success in the past, in 2018 GNERC has applied USAID Energy Program with the request to support development of USoA for rate regulated utilities performing licensed activities in gas sector of Georgia.

As for electricity sector, Gas USoA proposed to provide a sound basis for recording of expenses and facilities of rate regulated gas utilities. Similarly, to the Electric USoA It includes a Regulatory CoA, Instructions to Regulatory CoA, General and Special Guidelines, Reports and Instructions to Reports that financial information can be properly recorded and traced for the purpose of sector regulation. This document was developed as the unbundled part of USoA for Georgian Gas Regulation with the purpose to be approved by the end of 2019 and applied for next year.

The USoA has proven to be a good tool for financial management of the utilities and without exception, the increased level of information provided by the USoA to utility management allows for better cost control and insights on the efficiency of their companies. It is a win-win success story as both consumers and investors reap benefits from this proven approach to regulatory oversight.

1. GENERAL AND ADMINISTRATIVE PROVISIONS

1.1 INTRODUCTION

This document sets reporting requirements for gas transmission/transportation, distribution, supply and storage companies. Other specific reporting requirements may also be issued by the regulator for licensees.

Hereby stipulated forms are designated to monitor regulated companies and access their financial health and performance during the reporting period.

1.2 THE LICENSE HOLDERS TO WHOM THIS INSTRUCTIONS APPLY:

- Transmission companies
- Distribution companies (above threshold set by GNERC)
- Supply companies
- Storage companies

1.3 SUBMISSION, SIGNATURE AUTHORIZATION AND CONTACT INFORMATION

Electricity sector companies listed in section 1.2 must complete and submit the annual and quarterly reporting forms specified by this document.

Each Company shall submit annual reports by the 30th of April of the following year.

Each Company shall submit quarterly reports by the 30th day of the following quarter.

All reports must be signed by both the general and financial authority of the Company. The Company has right to authorize a person to submit reports.

All submitted forms shall contain name, position and valid contact information of person who is authorized and able to provide additional clarification regarding the reports in case of additional questions raised from the side of regulator.

1.4 REPORTING PERIODS

Annual reporting period is one calendar year, from the 1st of January to 31st of December.

Quarterly reporting period is the period of each calendar quarter:

1st quarter, from January 1 to March 31,

2nd quarter, from April 1 to June 30, 3rd quarter, from July 1 to September 30, and 4th quarter, from October 1 to December 31.

1.5 REPORTING FORMS

The full set of reporting annual form consist of following sections:

- Company general information
- Financial forms
- Non-financial forms (forms supporting for tariff calculation verification, benchmarking and sound database creation purposes).

If the Company holds more than one license it should provide combined reporting forms as well.

For the purpose of this delivery the templates of USoA reporting forms are provided in separate Microsoft Excel - MS Excel forms for each type of activity as follows:

Name of activity:	Name of the reporting forms' file:
<i>Transmission Gas</i>	<i>Reporting Forms – Transmission Gas.xlsx</i>
<i>Distribution Gas</i>	<i>Reporting Forms – DistributionGas.xlsx</i>
<i>Supply Gas</i>	<i>Reporting Forms – Supply Gas.xlsx</i>
<i>Storage Gas</i>	<i>Reporting Forms – Storage Gas.xlsx</i>

The coding and naming of presented forms are conditional. Energy Program team assumes that GNERC shall apply coding and naming (ID) for each table in accordance with legal and/or regulatory requirements.

2. COMPANY GENERAL INFORMATION

Company general information form should be provided in appendix XYZ to this document¹. Form should provide general information on the business entity consisting of:

2.1 LEGAL NAME OF THE ENTITY

The name of the company as stated in incorporation documents

2.2 TYPE OF LICENSE(S) HOLDING

The name and license Identifier (ID).

2.3 BOARD OF DIRECTORS

Names, addresses, telephone numbers of each member of the Board of Directors and the position on the board.

2.4 COMPANY DIRECTORS AND DEPARTMENT HEADS

Names, addresses, telephone numbers of the company directors and major department/division heads and department, or division.

2.5 COMPANY OFFICES AND SERVICE CENTER LOCATIONS

The location (city, street) and telephone numbers for the company offices, including all service centers.

2.6 SIGNIFICANT EVENTS AFFECTING OPERATIONS

This section represents opportunity for the company to describe events that impacted its operations, including un-planned costs, revenues, or energy sales for the reporting year. It also provides an opportunity for the company to describe events that it anticipates will impact its operations in the forecasted year.

2.7 PURCHASES, SALES AND CUSTOMER SUMMARY

Summary of the gas purchases, sales and storage for the previous year, the current year, and the change from the previous to the current year. The data must be reported in units (i.e. –M³) and monetary (GEL 000) values. The total number of customers (for each tariff group for distribution) should be reported by the company.

2.8 ORGANIZATION CHART, COMPANY VALUE AND RISK MATRIX

It is highly recommended to ask companies to include in the report a) organization chart (with staff numbers in each unit), b) Value chain – i.e. narrative (and diagram) representation of activities which ultimately end up in value creation, c) identified main risks by company, assessment of probability and impact of occurrence and assumed risk mitigation techniques by the company.

¹ Form should be prepared by GNERC. Alternatively GNERC may decide, that annual reporting submission obligation prescribed by SARAS substitutes “Company General Information” form.

3. FINANCIAL FORMS AND SPECIAL PROVISIONS

Financial reporting requirements refers to all entities listed in section 1.2 of this document if not otherwise stated.

The main purpose of financial reporting forms is to provide unbiased financial information of financial position, performance and liquidity of the licensed company. Reporting should ensure, that other non-regulated activities are not subsidized with rate-payers money and that all transactions are carried out by open, prudent and value for money principles. Avoiding of cross-subsidization among different tariff groups also is supported by USoA reporting.

A licensed company every year shall provide audited financial statements in addition to USoA prescribed reports. The entity shall disclose the information about operating segments (International Financial Reporting Standard- IFRS 8 'Operating segments') if there are a regulated and non-regulated businesses or more than one regulated activity under the one legal entity control. For each company falling under USoA umbrella should be submitted the audited *standalone* financial statements. Foregoing shall submitted by the April 30 of the next year.

The reporting forms are grouped by the type of gas sector sub-activity. All sub-sectors have identical financial forms:

1. Form 1 - Statement of financial position for regulatory purposes;
2. Form 2 - Income statement for regulatory purposes;
3. Form 3 – Cash-flow statement;
4. Form 4 - Trial Balance;
5. Form 5 – Property Plant and Equipment (PPE) & Intangibles (IA);
6. Form 6 – PPE movement;
7. Form 7 – Expense allocation form,
8. Form 8 – List of the 100 largest transactions
9. USoA Balances mapping and reconciliation form with IFRS audited financial statements.

Forms 1 to 7 (excluding form 3) provide aggregated and/or disaggregated line items summarized from USoA entry level accounts. Each line item presented in the report shall be matched with underlying USoA accounts (the sum of lower level accounts or equal to the same account). For report formation purposes, each account of COA has status of "heading" or "entry level account". If account status is 'heading account' it should be entry level accounts below it. Entry account is the lowest level designated for accounting transactions for USoA purposes. There should be no accounting transactions made on "heading accounts".

Special requirement for cancelled transactions – if company practices to cancel incorrect transactions via storno accounting, the effect on turnover from that kind of transactions should be excluded from turnovers of USoA reports.

In case PPE IFRS value is lower than regulatory value.

3.1 FORM 1 - STATEMENT OF FINANCIAL POSITION FOR REGULATORY PURPOSES

Statement of financial position for regulatory purposes' is the balance sheet of the company for the reporting year with direct linking to USoA CoA. Preceding Financial Year (FY) data should be presented as well for comparative purposes. The Company shall provide combined regulatory balance sheet statement when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

Form is presented in spreadsheet 'Form 1' of reporting forms' file.

3.2 FORM 2 - INCOME STATEMENT FOR REGULATORY PURPOSES;

Income statement for regulatory purposes' is the income statement of the Company for the reporting year – with direct linking to USoA CoA. Preceding FY data should be presented as well for comparative purposes.

The Company shall provide combined regulatory income statement when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

The Form is presented in spreadsheet 'Form 2' of reporting forms' file.

3.3 FORM 3 – CASH FLOW STATEMENT

The cash flow form prescribes line item headings for cash flow statement. Report shall be prepared by using direct method. Form 3 does not limit accounting transactions with USoA account numbers. But has following mandatory requirements: a) each transaction having cash and/or cash equivalent account in debit or credit account should be coded with matching cash flow item. If more than one corresponding account have participated in formation of Cash Flow (CF) line item value, all corresponding accounts with monetary values should be listed, either in CF or as a disclosure. The Company shall provide combined regulatory balance sheet statement when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

The Form is presented in spreadsheet 'Table 3' of reporting forms' file.

3.3 FORM 3 – PPE MOVEMENT

The 'PPE movement' form is for reporting the changes in PPE balances from the beginning up to the end of the reporting period. The Company shall provide regulatory PPE asset movement information such as: starting balances, additions, disposals, impairments, depreciation, and assets created with the funds of third parties.

The Company shall fill the 'PPE movement' form for all PPE accounts and reporting level using four digits of Regulated CoA.

There are input cells in the form and some calculated cells as well. Calculated cells have different color and input is not required for these cells. There is a sample filled line item filled in the form in order to show consequence of calculations.

The Company shall provide combined regulatory PPE movement statement when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

The Form is presented in spreadsheet 'Table 3' of reporting forms' file.

3.4 FORM 4 - TRIAL BALANCE

The form 'Trial Balance' provides the opening balances, turnover, and closing balances of all entry level accounts for the reporting period.

The Company shall provide combined trial balance when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

Trial balance is directly linked to transactions performed according to USoA CoA.

The Form is presented in spreadsheet 'Form 4' of reporting forms' file.

3.5 FORM 5 – PPE & IA

The form 5 is designated for presenting Property, plant and equipment (PPE) and Intangible Assets (IA) by categories. Each PPE account is paired with its accumulated depreciation account in order to explicitly present connection of carrying amount with value at cost and accumulated depreciation accounts. If asset is not assigned to any particular category, then category filed shows "blank" alongside with that asset.

The Company shall provide combined regulatory PPE breakdown by plant when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

The Form is presented in spreadsheet 'Table 5' of reporting forms' file.

3.6 FORM 6 – PPE MOVEMENT

The form 6 displays PPE movement starting from opening balances, showing FY movement and ending with closing balances. Accounts are grouped by major PPE categories. Opening and closing balances of the report should be matched with form 5 relevant balances of the same period.

The Company shall provide combined regulatory PPE breakdown by plant when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

The Form is presented in spreadsheet 'Table 6' of reporting forms' file.

- REGULATORY EXPENSE BREAKDOWN BY NATURE

The 'Regulatory Expense breakdown by nature' is for reporting the expense breakdown. The Company shall use given Regulatory CoA accounts for each line item of the reporting form.

The Company shall provide combined regulatory expense breakdown by nature statement when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

The Form is presented in spreadsheet 'Table 4' of reporting forms' file.

3.5 TABLE 5 – PPE BREAKDOWN BY PLANT

3.7 TABLE 7 – CAPEX FORM

The 'CAPEX' form is to report the capital expenditures of the company. The Company shall disclose the details of capital expenditures constructed and/or otherwise created during the accounting period. The threshold sum for separate disclosure is 20 000 GEL per constructed/created item

The Company shall provide combined trial balance when: (a) two or more licensed activities are titled and/or (b) non-regulatory activity is undertaken.

The Form is presented in spreadsheet 'Table 7' of reporting forms' file.

4. NON-FINANCIAL FORMS

Non-financial forms are additional information supporting the regulator in sound judgment and setting just and reasonable tariffs.

4.1 OPERATIONAL REPORTING

Operational reporting requirements refers to all entities listed in section 1.2 of this document if not specified particular eligible entities.

The reporting forms are grouped by type of power market activity having identical numbering and, thus, meaning of tables as follows:

Table 8 - Transmission system data applicable to transmission and distribution companies;

Table 9 - Electricity production info applicable to electricity production power plants;

Table 10 - Organizational Chart; Table
11 - Staff Information Form;
Depreciation study report.

4.1.1 TABLE 8 - TRANSMISSION SYSTEM DATA APPLICABLE TO TRANSMISSION AND DISTRIBUTION NETWORK COMPANIES

This is a summary of the transmission lines and substations that are used to provide the service for the customers

The Form should provide information on length of lines served in KM by voltages – applicable to transmission and distribution companies.

Number of transformers is applicable to transmission and distribution companies.

The Form is presented in spreadsheet 'Table 8' of reporting forms' file.

4.1.2 TABLE 9 - ELECTRICITY PRODUCTION INFO APPLICABLE TO ELECTRICITY PRODUCTION POWER PLANTS

This report should contain the following information:

- Quantity and monetary volume of fuel used for electricity production power plants - applicable to electricity generation companies;
- Volume of electricity produced;
- Volume of electricity sold;
- Installed capacity of power plant; and,
- Efficiency rate of power plant;

This form is applicable for generation companies.

The Form is presented in spreadsheet 'Table 9' of reporting forms' file.

4.1.3 TABLE 10 - ORGANIZATIONAL CHART

The Company should provide organizational chart with following information:

List of departments, divisions or other unions (united by functions, by geographical location or by other signs); Hierarchy of those intercompany divisions.

'Organizational Chart' is left blank intentionally and licensees can choose organizational chart presentation format on their own discretion.

The Form is presented in spreadsheet 'Table 10' of reporting forms' file.

4.1.4 TABLE 11 - INFORMATION ON STAFF

The Company shall provide information on staff as:

- number at each department and list of typical occupations at each department;
- minimum, maximum and average salary at each department according to listed occupations;
- average remuneration (including all benefits received) of executive and nonexecutive directors; and;
- list of remuneration of all executive and non-executive directors (or equivalent).

The Form is presented in spreadsheet 'Table 11' of reporting forms' file.

4.2 TABLE 12 - VENDOR REPORTING

A distributor shall provide a list of the top twenty purchases made in previous year including:

- Name of Vendor;
- Description of the items or services purchased;
- The GEL amount;
- Procurement selection method used; and, whether vendor is related party or not.

Note: if the same purchase was made multiple times during the year, please provide the total amount as a single purchase.

The Company shall provide (if any) internal policies on tendering and other procurement procedures.

The Form is presented in spreadsheet 'Table 12' of reporting forms' file.

4.3 TABLE 13 - AFFILIATE TRANSACTIONS REPORTING

Licensees should provide a list of separate records with related parties, when total transactions with any particular related entity (person) exceeds GEL 50 000 during accounting period. (Note: if the same purchase was made multiple times during the year, please provide the total amount as a single purchase).

In addition, regulator may require purchase procedures of the Company and/or certificate of independent parties, that vendor selection was impartial and on market terms. The following information should be disclosed in table:

- The name of the entity (person);
- The scope of contract, i.e. contract subject;
- The GEL value of each transaction and the form of price or cost determination;
- The date of each transaction and/or the start and completion dates for project type transactions;
- Internal process type used for vendor selection (i.e. tender, direct assignment, etc.);
- Year of incorporation of related party; and,
- Notes – companies are encouraged additionally make any notes if they find them useful and supportive.

The Form is presented in spreadsheet 'Table 13' of reporting forms' file.

USAID Energy Program

Deloitte Consulting Overseas Projects LLP

Address: 29 I. Chavchavadze Ave., 0179, Tbilisi, Georgia

Phone: +(995) 595 062505

E-mail: info@uep.ge