



Regulatory Accounts Guidelines for the Electricity Sector

Statement of Results and Final Determination

ES 16/2026

Issue Date: 24 June 2026

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1. Introduction

The Utilities Regulation and Competition Authority ('URCA') issues this Statement of Results and Final Determination regarding URCA's consultation for its Preliminary Determination on the Regulatory Accounts Guidelines for the Electricity Sector (ES 01/2025).¹ The Statement of Results and Final Determination reflect URCA's assessment of responses and sets out binding obligations for Public Electricity Suppliers (PES) under Conditions 53 and 54 of their licences.

URCA initiated the public consultation process and published the Consultation Document on 30 June 2025. URCA invited interested parties to provide written responses on the Consultation Document on or before 31 July 2025. The Consultation Document sought respondents' views on the guidelines and rules that should be applied to accounts separation in The Bahamas' electricity sector.

URCA approved a request from Bahamas Power and Light ('BPL') to allow them extra time to respond to the Consultation Document. In this regard, the submission period was extended to 19 August 2025. At the conclusion of the extended consultation period, URCA received comments from BPL and Grand Bahama Power Company ('GBPC').

URCA recognizes the importance of an open and robust consultation process and is satisfied that it has discharged its statutory duty under the Electricity Act, 2024 by permitting all stakeholders with an interest in the subject matter of the Consultation Document a reasonable opportunity to make submissions.

URCA extends its gratitude to all respondents for their participation in this public consultation process and for the submissions they provided.

In this document, URCA summarises and responds to the feedback received. The lack of direct response to a comment or any issue raised by a Respondent does not signify URCA's agreement in whole or in part with the comment, nor should it be taken to mean that URCA has not considered the comment or that the comment was considered and dismissed.

The remainder of this document is structured as follows:

Section 2 outlines URCA's authority to establish Regulatory Accounts.

Section 3 summarises and responds to the comments received.

Section 4 outlines URCA's conclusions and next steps.

Section 5 presents URCA's Final Determination.

Section 6 presents URCA's Order.

Section 7 contains the Schedule of Established Rules and Guidelines.

Annex A includes the Reporting Templates.

¹ ES 01/2025 can be found here: <https://urcabahamas.bs/wp-content/uploads/2025/06/URCA-ES-012025-Regulatory-Accounts-Guidelines-for-ES-Consultation-Document-1.pdf>.

2. Legal and Regulatory Framework

This section details the legislative and other provisions under which URCA proposes to establish and implement accounting separation guidelines in the ES. URCA's authority to act and issue this document is derived from the legal framework established under the Utilities Regulation and Competition Authority Act, 2009 (URCA Act) and the Electricity Act, 2024 (EA).

The following outlines the relevant provisions that empower URCA to exercise its powers and functions set out in this document.

URCA is mandated to conduct its affairs in a manner that allows its revenues and funding to be derived from exercising its powers to impose charges or fees, independent of and in addition to statutory fund obligations.

Section 6(1) of the EA establishes that "the main goal and objective of the electricity sector policy shall be the creation of a regime for the supply of safe, least cost, reliable and environmentally sustainable electricity throughout The Bahamas".

Section 12 of the EA designates URCA as the independent regulator of the Electricity Sector (ES). The provisions of the EA and the URCA Act empower URCA to exercise its functions and powers.

Under section 13 of the EA, URCA's primary role is to regulate the electricity sector in accordance with the national energy and electricity sector policies' goals, objectives, and principles that underpin the policies. Section 13 (2)(a) stipulates that URCA shall operate independently and transparently to give the members of the public and regulated entities confidence in the regulatory process.

Section 14 of the EA stipulates, inter alia, that the functions and powers of URCA are to:

- (a) review and determine that the rates and scale of charges comprising the tariff rate for electricity supply services proposed by a public electricity supplier are reasonable, reflect efficiently incurred costs and are not inconsistent with, or in contravention of, this Act or any other law and allow an opportunity for public input
[...]
- (k) require public electricity suppliers and other licensees to submit periodic reports, as determined by URCA, on their operations ...

In granting licences, section 28(8)(a)(iv) empowers URCA to include as a licence condition that licensees be required to maintain specified accounting records and prepare financial accounts according to specified principles. URCA has, in fact, in its licence conditions, implemented such an obligation as Public Electricity Suppliers and Authorised Public Electricity Suppliers are bound as a condition of their licences, respectively, Condition 25.1 of the PESL and 24(1) of the APESL, which states that:

The Licensee shall exercise prudence in the purchase or acquisition of goods and services having regard to the quantity, timing, and nature of the goods or services required to enable it to discharge its obligations under this Licence

This is particularly relevant as under Conditions 26.1 and 25.1 respectively, PES may engage in any other business other than the Licensed Business, but it is mandated to keep separate accounts. Condition 26.1 of the Licence reads,

The Licensee may engage in other business activities and shall keep separate accounts for its different activities. The Licensee's profits and losses from such other business activities shall not be considered for the purpose of setting tariffs.

Additionally, Condition 30.1 (b) states:

URCA may require the licensee or any of its subsidiary Undertakings to provide URCA with such information, documents, accounts, returns, estimates, reports or other information required by URCA in the manner and at the times specified by URCA. URCA may use this information for, but not limited to, compiling statistics and publishing periodical reviews of the electricity Sector, and as required or permitted by the Act or other laws or legal process.

Condition 54.1 states, "to assist in setting tariffs, the Licensee shall maintain separate accounts for generation, transmission, distribution, and supply services".

Furthermore, Condition 54.2 states:

If so determined by URCA, the Licensee shall, within a specified period by URCA:

Prepare and maintain accounting records in a form that enables the activities of any business unit specified by URCA to be separately identifiable; and

The accounts shall be maintained according to internationally comparable standards and prepared according to rules approved by URCA.

The cumulative effect of the foregoing statutory provisions and licence conditions provides the regulatory framework by which URCA may establish guidelines regarding accounting principles and account separation.

3. Responses to the Consultation

In this section, URCA summarises and responds to the feedback received during the consultation.

3.1 General Comments on the Consultation

The following table contains the summary of general comments, i.e., comments not related to a specific consultation question, along with URCA's responses/final determinations.

Table 1. General Comments and URCA's Responses

Consultation Area	BPL Response Summary	GBPC Response Summary	URCA's Response/Final Determination
Overview	BPL supports the principle but raised concerns about cost, complexity, and operational fit. Both BPL and GBPC accept the inclusion of operating costs, revenues, assets, and liabilities per licensed business unit. Additionally, the respondents agree with separating regulated and unregulated activities and with isolating related party transactions.	GBPC supports the principle but questions the proportionality for smaller utilities. Both BPL and GBPC accept the inclusion of operating costs, revenues, assets, and liabilities per licensed business unit. Additionally, the respondents agree with separating regulated and unregulated activities and with isolating related party transactions.	URCA notes the comments and emphasizes that transparency and separation are licence conditions.
Implementation Timeline	Proposes a three-year phased rollout with technical collaboration.	Requests reconsideration of review frequency and reporting burden.	PES and APES licence holders will have up to three years to implement the requirements of Part G - Price Controls Mechanisms and Tariff of their licence, but shall submit a schedule to URCA for implementation. However, separated accounts are required to support any application for tariff review.
Treatment of Shared Services	Requests flexibility in allocating shared services across islands.	Shared services notes are integral and hard to separate.	URCA will require transparent allocation supported by usage logs or cost drivers.
Alignment with International Standards	Requests clarification on IFRS 8 vs. URCA-specific requirements.	Notes compliance with US GAAP (ASC 980) and seeks harmonization.	URCA will clarify that regulatory accounts require

			additional granularity beyond GAAP and IFRS 8.
Confidentiality and Commercial Sensitivity	Requests assurance that sensitive data will be protected.	Raises concerns about public disclosure of proprietary information.	URCA will implement confidentiality safeguards while ensuring regulatory transparency.

3.2 Comments on Specific Consultation Questions

In this section, URCA summarizes and comments on the responses to the specific consultation questions.

Table 2. Comments on Specific Consultation Questions

Consultation Question	BPL Response Summary	GBPC Response Summary	URCA's Response/Final Determination
Q1: Do you agree that the accounts of the bulk generation and T&D licensed business units should be separated from each other, from the accounts of the unregulated business units of Licensees (if applicable), and from the accounts of related parties?	BPL supports in principle but highlighted the following: • A tariff study is needed before implementation. • It is not feasible for Family Islands due to scale and cross subsidies. • Notes challenges with several areas including bank accounts, receivables, payables, inventory, and loans • Suggests using IFRS 8 for segment reporting	GBPC supports separation in principle but notes the following: • GBPC operates under US GAAP (ASC 980), which already supports separation. • Recognizes benefits (e.g. transparency, investor confidence) • Notes increased administrative burden and complexity • GBPC also suggests the scope should be scaled to utility size and complexity.	URCA takes the view that full separation is required under Conditions 53 & 54 of the PESL. Additionally, IFRS/US GAAP alignment is assumed, along with reconciliation. Shared costs must be documented. With the unbundling of the Electricity Sector, segmentation is required at the Generation, Transmission, Distribution, and Supply levels. Where a licensee serves more than one Family Island, each island shall be reported as a separate business unit. URCA considers this is important to understand the true cost of service for the area. It should also help the licensee identify opportunities for outsourcing or unbundling.
Q2: Do you agree that, for every licensed business unit, the elements that need to be reported include operating costs, revenues, current assets and current liabilities, and fixed assets?	BPL agrees but reiterated concerns from Q1 and emphasized the need for practical implementation.	GBPC agrees, adding that it is useful for forecasting and trend analysis; however, challenges arise when shared resources are involved.	URCA takes the view that the reporting scope should be upheld, notwithstanding its complexities. URCA has provided reporting templates annexed to the Preliminary Consultation (ES01/2025). URCA will also offer those templates as annexes to this document for walkthroughs and guidance.

Consultation Question	BPL Response Summary	GBPC Response Summary	URCA's Response/Final Determination
			URCA will accept IFRS definitions and believes that stakeholders should seek qualified personnel to provide the necessary clarity regarding the proposed IFRS. Reconciliation with IFRS accepted; shared costs must be documented.
Q3: Do you agree with the approach to allocating all operating costs and revenues to the individual business units?	BPL posits that the proposed principles for cost allocation are sound, but: • recommends Activity-Based Costing (ABC) • proposes biennial; review of Cost Allocation Manual (ACAM); and • notes difficulty in allocating costs in subsidized Family Islands.	GBPC expressed cautious agreement and notes that: • allocation is difficult due to shared systems and limited resources; and • it may negatively impact economies of scale.	URCA accepts the recommendation for Activity Based Costing. Changes to the ACAM can be submitted when they are proposed. See the comments above about the treatment of Family Islands as separate business units.
Q4: Do you agree that assets should be allocated to the regulatory accounts of their primary user, who should then charge a transfer fee to any other business unit that also uses that asset?	• BPL agrees but questioned its practicality, adding that it prefers historical cost valuation; • suggests usage-based allocation for shared assets; and • suggests borrowing-cost-per-unit method for liabilities.	• GBPC is in general agreement, but also argued that it is more feasible in utilities with multiple independent units; and • the principles should be scaled to utility size and operational structure.	URCA will approve ACAM to adhere to ABC principles, allowing flexibility for smaller licensees.

Consultation Question	BPL Response Summary	GBPC Response Summary	URCA's Response/Final Determination
Q5: Do you agree that current assets and current liabilities should be allocated to the business units in line with the principles of cost and revenue allocation?	BPL highlighted the difficulty in allocating legacy debt and shared assets. BPL referred back to its responses to Q1 and Q4. BPL emphasized the complexity of separating shared resources	GBPC offered the same response as did to Q4.	Assets and liabilities should be allocated based on the area that derives the benefit or caused the cost. This will be addressed in the review and approval of the ACAM.
Q6: Do you agree that long-term liabilities should be allocated to business units only if they are directly associated with a particular business unit, or are collateralized with assets that are related to specific business units?	BPL generally agrees but raised the challenges it presented in its response to Q1, specifically regarding company loans.	GBPC offered the same response as it did to Q4.	URCA will require detailed disclosures and valuation based on market or cost-plus methods.
Q7: Do you agree that, as far as is practical and proportionate, transfer charges and transactions with related parties should be valued at arm's length?	BPL agrees, adding that: • it already applies IFRS standards. • it recommends market-rate or cost-plus pricing; and • it advocates for annual reporting and third party audits.	GBPC offered the same response as it did to Q4.	Transactions should be valued at actual costs where these do not differ materially from Fair Market Value as referenced in the Licence.

Consultation Question	BPL Response Summary	GBPC Response Summary	URCA's Response/Final Determination
Q8: Do you agree that, for every licensed business unit, Licensees should provide a breakdown of operating costs and revenues by internal transactions, external transactions with related parties, and external transactions with independent parties?	BPL agrees.	GBPC offered the same response as it did to Q4.	URCA will confirm this through periodic regulatory audits, which may be aligned with statutory audits.
Q9: Do you agree that third-party transactions need to be disclosed in the notes to the regulatory accounts?	BPL did not respond to this question.	GBPC suggested transactions be handled as per the financial reporting.	URCA believes that third-party transactions need to be disclosed in the notes to the regulator's accounts. This will facilitate transparency.

4. Conclusion and Next Steps

This section represents a summary of URCA’s assessment and Final Decision on the comments and responses received. Overall, URCA has made the following key decisions, amongst others:

- mandatory separation of Generation, Transmission, Distribution, and Supply;
- a three-year phased implementation;
- annual audit and submission of ACAM; and
- the requirement of transfer pricing and related-party disclosures.

The implementation timeline is set out in the table below.

Table 3. URCA’s Implementation Timeline for Accounting Separation

Milestone	Deadline
Roadmap Submission ²	Q3 2026
Draft ACAM	Q4 2026
Full Compliance	Q4 2028
First Audit	FY 2027

² A roadmap submission is a formal document that each PES must provide to URCA outlining how they plan to achieve full compliance with the account separation requirements over the designated implementation period of three years.

2.7.1

5. Final Determination

This Final Determination issued by the Utilities Regulation and Competition Authority ('URCA') is in accordance with sections 14(1)(j)(k) and 49(1)(b) of the Electricity Act, 2024 (EA).

WHEREAS:

Section 14 (1)(j)(k) of the EA empowers URCA to require PES and other licenses to submit periodic reports, as determined by URCA, on their operations and perform such functions as may be assigned to URCA by the EA or any other law in relation to the electricity sector.

Condition 30.1 (b) of the standard licence conditions issued to PES states:

URCA may require the licensee or any of its subsidiary Undertakings to provide URCA with such information, documents, accounts, returns, estimates, reports, or other information required by URCA in the manner and at the times specified by URCA. URCA may use this information for, but not limited to, compiling statistics and publishing periodical reviews of the electricity Sector, and as required or permitted by the Act or other laws or legal process.

Conditions 53 and 54 of the standard licence conditions issued to APESL and the PESL stipulate that the Licensee shall maintain separate accounts for generation, transmission, distribution, and supply services to assist in setting tariffs. Additionally, if so determined by URCA, the Licensee shall, within a specified period, as determined by URCA:

- (a) Prepare and maintain accounting records in a form that enables the activities of any business unit specified by URCA to be separately identifiable; and
- (b) The accounts shall be maintained according to internationally comparable standards and prepared according to guidelines approved by URCA.

URCA has outlined its methodology and guidelines for Separated Accounts, which are referred to as the Regulatory Accounts Guidelines for the Electricity Sector annexed to this Final Determination and Order and published separately as a distinct regulatory measure (ES 17/2026 – Regulatory Accounts Guidelines for the Electricity Sector).

URCA has set out in Section 3 of this document its preliminary analysis regarding the subject matter of the determination to be made by URCA.

NOW THEREFORE, having regard to the foregoing URCA HEREBY DETERMINES THAT:

1. URCA shall exercise its powers under section 49 of the Electricity Act to determine that URCA's Regulatory Accounts Guidelines for the Electricity Sector – Regulatory Guidelines for Separated Accounts shall apply as follows:

- (a) to holders of a Public Electricity Supplier Licence, with effect from the date of this Final Determination and Order; and
- (b) to holders of an Authorised Public Electricity Supplier Licence, mutatis mutandis, with effect from such date as URCA shall specify by notice published on URCA's website.

Dated the 24 June 2026



J. Carlton Smith
Chief Executive Officer

6. Order

This Order is issued by the Utilities Regulation and Competition Authority ('URCA') pursuant to section 49 of the Electricity Act (EA) and issued in conjunction with the Final Determination issued by URCA on 24 June 2026.

WHEREAS by Final Determination made on 24 June 2026, URCA has determined that URCA's Regulatory Accounts Guidelines for the Electricity Sector shall apply to Public Electricity Suppliers and Authorised Public Electricity Suppliers.

In accordance with the role, function and powers conferred upon URCA in sections 13 and 14 of the EA, URCA **HEREBY ORDERS THAT:**

1. holders of a Public Electricity Supplier Licence, shall be subject to and comply with the Regulatory Accounts Guidelines for the Electricity Sector with effect from the date of this Final Determination and Order; and
2. holders of an Authorised Public Electricity Supplier Licence shall be subject to and comply with Regulatory Accounts Guidelines for the Electricity Sector, with effect from such date as URCA shall specify by notice published on URCA's website

PENAL NOTICE: Failure to comply with this Final Determination and Order may result in URCA taking the appropriate regulatory action in accordance with the EA and Licence.



J. Carlton Smith
Chief Executive Officer

7. ANNEX A – ES 17/2026 Regulatory Accounts Guidelines for The Electricity Sector

1. Definitions

In these Guidelines and rules, unless the contrary intention appears, the following terms, words and phrases used must have the same meaning as in the Act, the PESL,

For these Guidelines, the following definitions apply:

“Accounts separation” refers to an accounting method that distributes all costs amongst a company's various services. This involves the disaggregation of accounts in a form that enables the expenses and revenues associated with each production and/or service unit to be identified, functional, and allocated appropriately.

“Accounting and Cost Allocation Manual” or **“ACAM”** means a document prepared by the PES and approved by the URCA that sets out in detail the accounting policies and principles employed in preparing the company's Accounts Separation Statements.

“Auditor” means a qualified accountant authorized to independently and objectively examine the financial records to ensure they comply with generally accepted accounting principles.

“Board of Directors” means the governing body of the PES, which has the ultimate decision-making authority.

“Business functions” shall be defined as specified in Annex 1 hereof.

“Business segment” refers to the functional component of the utility that provides a single product or service, or a group of related products and services, and is subject to risks distinct from those faced in other functional components of the business.

“Common cost” means costs that cannot be directly assigned to a particular product or service.

“Cost driver” means any factor that causes a change in the cost of an activity.

“Direct cost” means a cost associated with inputs that can be traced directly and unambiguously to a specific good or service and recorded against the relevant product or service in the operator's accounting system.

“Directly Attributable cost” means a cost that is directly and unambiguously related to a service or product but is not recorded in the financial accounts against the product or service to which it is related.

“Distribution system” means the component of the national grid dedicated to conveying electricity at comparatively low voltage levels and delivering it to end users. It includes poles, transformers, lines, insulators, and other equipment on the national grid that allows for the transportation of power below 69KV.

“Electricity Act” or **“EA”** means the Electricity Act, 2024, and any subsidiary legislation enacted thereunder and in force, as amended occasionally.

“Electricity Sector” refers to the energy industry, which provides for the economy's electrification needs through the generation, transmission, and distribution of electricity via the national grid.

“Fixed cost” means a cost that remains unchanged irrespective of a firm's output level or sales revenue, although, in the long run, no costs are fixed.

“Fully Distributed cost” means a method in which the cost of a product or service is determined by allocating direct costs, indirect costs, and non-attributable common costs, so that no costs are left unallocated.

“General Information Sheet” means a document submitted along with the Accounting Separation Statements, signed by the Chief Executive Officer of the PES and approved by a resolution of the Board of Directors. It sets out information on the companies within the Corporate Group that owns the utility, along with charts on the ownership structure and relevant transactions within the group.

“Indirectly Attributed cost” means a cost shared by more than one service or product but can be allocated between services on a non-arbitrary basis.

“Joint cost” means a cost that cannot be traced directly to any good or service but can be linked to the cost of inputs associated with a well-defined set of goods and services produced by the firm.

“kWh” means Kilowatt-hour, the unit of energy used to measure electricity consumption.

“MWh” means Megawatt-hours, the unit of energy used for electricity production or consumption. A MWh is the product of electrical power and time.

“Management Responsibility Statement” means a declaration signed by the Chief Executive Officer of PES and approved by a resolution of the Board of Directors indicating that the company's management accepts full responsibility for the accuracy of the information presented in the relevant Accounting Separation Statements.

“MW” means Megawatt, the unit of electrical power equivalent to one million watts.

“National grid” means a network of high, medium, and low voltage power lines and other associated power system equipment that connect major generating plants and end users.

“URCA” means the Utilities Regulation and Competition Authority as defined in the Utilities Regulation and Competition Authority (Amendment) Act, 2015, and amendments thereto.

“URCA Act” means the Utilities Regulation and Competition Authority Act 2009 and amendments thereto.

“O&M” means the operation and maintenance of the utility plant as a part of the supply process of generating, transmitting, distributing, and supplying electricity.

“Statement of Mean Capital Employed” means a statement that sets out the arithmetic average values of capital over the reporting period for the relevant business segments.

2. Methodological Approach

2.1 General Accounting Policies

2.1.1. The Accounting Separation Statements prepared by the PES for these rules and guidelines must:

- (a) Comply with the relevant Accounting and Cost Allocation Manual (ACAM) prepared by the PES under section 2.2 (as amended from time to time per section 2.2) and with the requirements of Annex 2 and Annex 3.
- (b) Comply with Generally Accepted Accounting principles unless a particular provision of the Guideline requires non-conformity with those principles.
- (c) Result in financial information that is relevant and reliable and that reflects the substance of the underlying transactions and events (see section 2.3); and
- (d) Report all material items (see section 2.3)

The accounting Separation Statements prepared for these Rules and Guidelines are in addition to any other statutory financial reporting obligations of PES participants and their Affiliates.

2.2 Documentation of Accounting Policies and Use³

2.2.1. PES must prepare an Accounting and Cost Allocation Manual (ACAM) which provides complete proper documentation of the accounting policies and principles used to prepare the Regulatory Accounts Statements per these Guidelines, including:

- (a) The allocation methodologies used to allocate costs and revenues to and between business segments, including:
 - (i) A description of the basis, formulae, and or methodologies used for each cost and revenue item.
 - (ii) The reason for choosing the basis, formulae, or methodologies; and
 - (iii) The quantification of any factors applied in allocating unattributable costs or revenues, being in each case an allocation methodology that complies with the principles set out in section 3.4:
- (b) Depreciation policies and methodology for each class of assets (depreciation charges must be calculated based on either the appraisal value or the historical cost of the relevant asset (book value), depending on whether those assets have been reappraised, the economic life of that class of assets, and the weighted average remaining life of that class of assets; and
- (c) The transfer pricing policies used for transactions between Business Segments or between a Business Segment and another activity conducted by a member of the relevant PES.

³ This section reflects the standard approach and description on how the ACAM should be documented. The description of the accounting policies is similar in all jurisdictions using similar methodology and this is to ensure uniformity, for comparative purposes, across utilities and across jurisdictions. In this instance this rule may reflect similarity with Accounts Separation Guidelines, from other jurisdictions.

- 2.2.2. URCA may, from time to time, require the PES to make such changes to the ACAM prepared by the PES as URCA considers appropriate (including replacing that ACAM with one prepared or approved by URCA and the PES must thereupon make such changes and provide a copy of the ACAM to URCA
- 2.2.3. The PES may, from time to time, change the ACAM it has prepared, in which case it must thereupon provide URCA with a statement that sets out:
 - (a) The precise details of the proposed change.
 - (b) The reasons for that change; and
 - (c) The effect of that change on the Accounting Separation Statements

2.3 Materiality

Regarding Section 2.1.1 (d), an item is considered material if its omission, misrepresentation or non-disclosure has the potential to prejudice the understanding of the financial position and nature of the business activities of a PES

2.4 Information must be verifiable

PES must maintain (or ensure the maintenance of) general record-keeping and accounting arrangements that enable information provided in the relevant Accounting Separation Statements to be verified.

2.5 Management Responsibility Statement

The Accounting Separation Statements prepared by a PES for the purposes of these Guidelines must be accompanied by a statement which evidences the responsibility for the information contained in those Accounting Separation Statements (Management Responsibility Statement) in the form provided in Annex 8. A Management Responsibility Statement:

- (a) must be signed and dated by the chief executive officer of the PES or by such person who is specifically authorised in writing by the governing body of that PES for that purpose; and

2.6 Records and audit trails supporting Accounting Separation Statements

- 2.6.1. A PES must keep (or ensure the keeping of) accounting records that:

- (a) Correctly record and explain the events and financial position of each relevant Business Segment.
- (b) Enable an Auditor to properly form an opinion on the Accounting Separation Statements prepared by the PES per the requirements of these Guidelines; and
- (c) Provide sufficient information about transactions with and between the relevant Business Segments to allow an Auditor to reach an opinion about compliance with these Guidelines.

- 2.6.2. PES must maintain (or ensure the maintenance of) an audit trail which includes:

- (a) All information contained in the Accounting Separation Statements prepared by the PES, including the allocation of costs to Business Segments and information in relation to transactions with related parties; and
- (b) All relevant records, including but not limited to copies of contracts or engagements between related parties.

2.7 Audit requirements

- 2.7.1 These Audit requirements are proposed to be in effect no later than two (2) years after implementation of Accounts Separation and two years of filing such accounts separation information with URCA. Thereafter, the frequency of Audit Requirement will be subject to the efficacy of the regulatory imperatives. All Accounting Separation Statements prepared for these Guidelines, when required, must be accompanied by a report prepared, signed, and dated by an Auditor (Auditor's Report). That:
 - (a) Contains the Auditor's opinion on whether the Accounting Separation Statements are presented fairly in accordance with the requirements of this Guideline, clearly identifying any exceptions and the effect of each such exception on the Accounting Separation Statements; and
 - (b) Is in the format provided in Annex 9.
- 2.7.2 It is the responsibility of the Auditor to understand the requirements of these Guidelines, but URCA is available to consult with the Auditor if necessary to enable the Auditor to obtain a sufficient understanding of these Guidelines to prepare the Auditor's Report referred to in Section 2.7.1
- 2.7.3 PES must ensure that, under the terms of engagement of the relevant Auditor, that Auditor is obliged (at URCA's request) to meet with URCA and provide it with information regarding the performance of its functions under Section 2.8 as URCA requires.
- 2.7.4 URCA may appoint an Auditor, or require the Auditor engaged to provide the Auditor's Report under Section 2.7.1, to prepare a new or amended report that complies with 2.7.1 if:
 - (a) URCA becomes aware that information provided in the Accounting Separation Statements is incorrect or does not comply with the requirements of this Guideline; or
 - (b) In URCA's view, the Auditor Report prepared under Section 2.8.1 is unsatisfactory or does not comply with the requirements of this Guideline.
- 2.7.5 PES must bear all of the costs associated with any work done by an Auditor under Section 2.7

2.8 Reporting Cycle

- 2.8.1 The reporting period for the Accounting Separation Statements prepared for these Guidelines must be the Financial Year of the relevant PES.

- 2.8.2 Notwithstanding Section 2.8.1, URCA may require a PES to provide interim or additional accounting information as specified occasionally.

2.9 General Information Sheet

- 2.9.1 If any changes are made during the course of the PES granted its license and the preparation of the Accounting Separation, all Accounting Separation Statements prepared for these Guidelines must be accompanied by a statement (General Information Sheet) that:
- (a) Lists the name and company registration number of each PES
 - (b) Contains an updated organizational chart showing the structure of the company: and
 - (c) Contains an updated Description of the activities undertaken by each PES
- 2.9.2 The General Information Sheet:
- (a) Must be signed and dated by the chief executive officer of the PES or by such other person who is specifically authorized in writing by the governing body of that PES for that purpose; and

2.10 Compliance Report

- 2.10.1 All accounting Separation Statements prepared for these Guidelines must be accompanied by a certificate (Compliance Report) that:
- (a) The relevant PES has not violated any code of conduct during the period of the Accounting Separation Statements; or
 - (b) If the relevant PES has violated any code of conduct during the Accounting Separation Statements, a statement of that fact and details of that violation.
- 2.10.2 The Compliance Report:
- (a) Must be signed and dated by the chief executive officer of the relevant PES or by another person who is specifically authorized in writing by the governing body of that PES for that purpose.

2.11 Documents to be delivered to URCA (Reporting Requirements)

Within 5 months of the end of the Financial Year of a PES, that PES must be delivered to URCA:

- (a) The Regulatory Accounting Separation Statements prepared by the PES for that period should be prepared in accordance with these Guidelines.
- (b) The Management Responsibility Statement that is required to accompany those Accounting Separation Statements in accordance with Section 2.5.

- (c) The Auditor's Report on the Accounts Separation Statements for the reporting period, in keeping with section 2.7 of these Guidelines.
- (d) The General Information Sheet that must accompany the Accounts Separation Statements in accordance with section 2.9 of these Guidelines.
- (e) A consolidated copy of the PES's ACAM, where such ACAM has been amended so that it does not correspond with the consolidated copy of the ACAM that has previously been provided to URCA for these Guidelines.

2.12 Additional Information

2.12.1. The PES must also provide to URCA such additional information as URCA may require, supplementing the reporting requirements set out in these Guidelines, including:

- (a) supplemental financial and accounting information, as well as information of a non-financial nature, deemed necessary for the determination of the actual cost of the services provided by the company for its tariff review; and
- (b) URCA may require Other information from time to time to effectively carry out its regulatory responsibilities.

2.13 Confidentiality⁴

2.12.1. Where commercially sensitive information is provided in compliance with these Guidelines, URCA shall:

- (a) restrict the disclosure of such information to its technical staff, legal advisors, and the relevant consultants on a need-to-know basis;
- (b) employ the information only regarding its regulatory considerations, statements, and the fulfillment of its statutory duties.
- (c) disclose information only if URCA deems it necessary to fulfill statutory obligations and per law governing such information. In such an event, URCA will notify the Licensee before URCA's final decision on the disclosure and allow the PES a reasonable opportunity to present its position.

⁴ This is consistent with confidentiality guidelines used and adopted in different jurisdictions that developed Accounting Separation. This confidentiality guidelines is adopted from Office of Utilities Regulation (OUR), Jamaica – Accounts Separation Guidelines, Notice of Proposed Rulemaking, 2018.

3. Information Requirements for Accounts Separation⁵

3.1 Financial Statements

- 3.1.1. PES is required to maintain separate accounts for each business function. Section 4 defines each function.
- 3.1.2. The accounts maintained under each business function must be treated as if it were a separate company. This ensures that costs and revenues, assets and liabilities, and reserves and provisions of each business function are individually identifiable in the accounts.
- 3.1.3. PES is required, per these Guidelines, to prepare and submit the following:
- (a) Income Statements for each business function;
 - (b) Statements of Mean Capital Employed (assets and liabilities) for each business function (see Annex 4;
 - (c) Cash flow Statements for each business function (see Annex 5)
 - (d) A Consolidated Income Statement aggregates all the individual business functions' income statements in a single statement (see Annex 1). This statement should contain the following reports:
 - i. a summary of revenues, operating costs, and the return for each business function;
 - ii. consolidated adjustments, with separate identification of each adjustment item; and
 - iii. A reconciliation of the Licensee's audited income statement.
 - (e) A Consolidated Mean Capital Employed Statement aggregates all the individual business function Mean Capital Employed Statements in a single statement (see Annex 2).
- 3.1.4. The Account Separation Statements must be prepared on the basis that:
- (a) Items that are directly attributable to a Business Segment are allocated accordingly;
 - (b) Items that are indirectly attributable to a business Segment are allocated using an appropriate allocation method; and
 - (c) Items that are unattributable to a Business Segment are allocated using a fair and reasonable method, per the principles set out in Section 3.2

⁵ This section reflects the standard approach and description of the rules governing information requirement for Accounts separation across jurisdiction using similar methodology and this is to ensure uniformity, for comparative purposes, across utilities and across jurisdictions. In this instance this rule is adopted from Office of Utilities Regulation (OUR), Jamaica – Accounts Separation Guidelines, Notice of Proposed Rulemaking, 2018.

3.2 General Principles for Accounts Separation

3.2.1 Cost basis and cost allocation standard

- 3.2.1.1 The Accounting Separation Statements must be prepared on a historical cost accounting basis, except to the extent any relevant assets have been reappraised, in which case the Accounting Statements must be prepared using the appraisal value of those assets.
- 3.2.1.2 A fully distributed cost allocation standard must be applied in preparing the Accounting Separation Statements so that all costs, including corporate overhead costs, are apportioned among Business Segments per the principles set out below.

3.2.2 Principles of revenue and cost allocation

Allocation based on causation

- 3.2.2.1 Revenues and costs must be allocated to Business Segments based on causation to the extent possible. Each cost and revenue must be allocated to the activity that caused the cost or revenue.
- 3.2.2.2 From a practical standpoint, causation is determined by identifying one of the following relationships:
 - (a) A directly traceable cause and effect relationship between the revenue or cost and the execution of an activity or provision of a service, or product; or
 - (b) A verifiable relationship between the revenue or cost and the execution of an activity or provision of a service or product; or
 - (c) A direct causal relationship between a pool of common costs or revenues and the carrying out of an activity or provision of a service or product, such that allocation of the pool of common costs or revenues can be made using relevant, reliable, and verifiable factors, such as relative use.

Allocation of direct, indirectly attributable, and unattributable costs and revenues

- 3.2.2.3 **Direct costs/revenues** are costs/revenues that are solely incurred or generated in the undertaking or provision of a particular activity, service, or product, regardless of whether such costs/revenues are recorded in the accounts against the relevant item. Direct costs must be allocated to the relevant Business Segment based on this causal relationship.
- 3.2.2.4 **Indirectly attributable costs (or revenue)** are costs (or revenue) that are part of a common pool of costs (or revenue) but which can be attributed to a particular activity, service, or product through a non-arbitrary, commercially sustainable, and verifiable cause and effect relationship. Indirectly attributable costs (or revenue) must be allocated to the relevant Business Segment using an activity-based approach, where possible

3.2.2.5 **Unattributable costs (or revenue)** are costs (or revenue) that are part of a common pool of costs (or revenue) and which cannot be attributed to a particular activity, service, or product through a non-arbitrary, commercially sustainable, and verifiable cause-and-effect relationship. Unattributable costs must be allocated on a fair and reasonable basis, which must be documented in the relevant ACAM

3.2.2.6 If a causal relationship cannot be established for a particular cost (or revenue) without undue cost and effort, the cost (or revenue) may be allocated on a fair, reasonable and defensible basis, which must be documented in the relevant ACAM

Disclosure of costs and revenues

3.2.2.7 The Accounting Separation Statements must include a note that separately discloses each cost and revenue heading in the statement of income for each Business Segment.

- (a) The amount of direct costs and revenue
- (b) The amount of indirectly attributable costs or revenue allocated to that Business Segment; and
- (c) The amount of unattributable costs or revenue allocated to that Business Segment.

Depreciation

3.2.2.8 PES is required to prepare and document in its ACAM the methodology and policy pertaining to the depreciation of each class of assets. Depreciation charges computed based on the stated methodology and policy should be consistent with the Licence.

Transfer Pricing

3.2.2.9 The policies applicable to transfer pricing. These policies must comply with the requirements set out in Section 3.2.5 hereof and inform the allocation of costs and revenues associated with transactions between business segments and activities between companies within the same business group.

3.2.3 Income Statement⁶

3.2.3.1 Each business function listed in Annex 1 shall provide its own Income Statement. Each statement should show the revenues, costs, and operating result (i.e., profit or loss) for the segment (see Annex 3, 6 and 7)

3.2.3.2 The following should be separately identified for reporting revenues:

- (a) Revenues from external sources.

⁶ Benchmark and adopted from Office of Utilities Regulation (OUR), Jamaica – Accounts Separation Guidelines, Notice of Proposed Rulemaking, 2018.

- (b) Revenues from the company's internal businesses; and
- (c) Revenues from entities controlled by PES and/or related entities (including overseas parents and/or subsidiaries, if applicable).

3.2.3.3 A similar treatment should be given to the treatment of costs in each function. The following costs as described in Annex 6 should be clearly identified:

- (a) Fixed costs
- (b) Variable costs
- (c) direct, directly attributable, and indirectly attributable costs
- (d) allocated unattributable common costs
- (e) Charges paid to the company's internal business
- (f) charges paid to the company-controlled entities and/or related entities
- (g) Charges paid to other operators

3.2.4 Statement of Mean Capital Employed

3.2.4.1 The Licensee must prepare and submit a Statement of Mean Capital Employed for each business function. This statement must set out the arithmetic average capital values over the reporting period (see Annex 2 & 4). The Mean Capital Employed refers to the total written-down value of non-current assets and working capital. Therefore, the company's total assets are less than its current liabilities, excluding corporate taxes, dividends payable, and long-term liabilities.

In the Statement of Mean Capital Employed for each business function, PES must clearly identify the following:

- (a) Current assets by major line item
- (b) Non-current assets by major line item
- (c) Current liabilities by major line item
- (d) Non-current liabilities by major line item
- (e) Total mean capital employed
- (f) Return on capital employed

- 3.2.4.2 The return on the capital for each item in the Statement of Mean Capital Employed for the respective business segment should be consistent with the weighted average cost of capital as defined in the Tariff Guidelines⁷.

3.2.5 Transfer Pricing

- 3.2.5.1 Transfer pricing refers to the process by which accounting values are assigned to a product sold in a transaction between divisions of a company or companies belonging to the same corporate group. This may lead to price distortions that unfairly favor a monopolist provider at the expense of its competitor. To minimize the likelihood of this occurrence, the following principles shall be applied to the pricing of the resources and products associated with transactions between business functions, divisions of the Licensee, or companies belonging to the same corporate group that owns the Licensee.

- (a) Electricity services shall be charged at the applicable tariffs specified in the current Rate Schedules.
- (b) Competitive services shall be charged at the prevailing market rates.
- (c) Shared services within PES shall be valued at the full cost of provision based on usage.
- (d) Asset transfers from one division to another shall be valued at the realizable value of the resource.
- (e) Allocation of the capitalized value of assets jointly used by two or more divisions within the company shall be based on service usage.

- 3.2.5.2 The Licensee shall be required to provide a detailed description of the process, cost build-up, and methodology employed to derive transfer prices between divisions within the company or those affecting its costs based on transactions between itself and companies within its Corporate Group.

3.2.6 Accounts Separation Statements for Business Segments

- 3.2.6.1 Regarding the business segment, the Licensee shall be required to provide the following schedules segment identified in section 4 and Annex 1.
- a) Statement of Mean Capital Employed (assets and liabilities) for each business segment.
 - b) Cost Schedule Statement for each business segment that clearly identifies:
 - i. I. Fixed costs.

⁷ <https://www.urcabahamas.bs/wp-content/uploads/2021/07/Statement-of-Results-and-Final-Decision-Guidelines-and-Procedures-for-PES-Tariff-Review-Framework-ES-06-2021.pdf>

- ii. Variable costs.
- iii. direct, directly attributable, and indirectly attributable costs.
- iv. IV. Allocated unattributable common costs.

4. The Relationship between Business Functions and Segments

4.1 Introduction

The business Segments for these Guidelines are set out in this section. A single business Segment may include activities conducted by more than one corporate entity.

4.2 Vertically Integrated Business Segments

The Vertically Integrated Business Segments are described below.

4.2.1 Generation of Electricity and Provision of Ancillary Services Business Segment

4.2.1.1 This segment comprises

- i. **The generation** of electricity (that is, the production of electricity, including using generating equipment for the production of electrical energy, including fossil fuel-driven generators, as well as those utilizing waste heat and renewable energy sources, and the provision of Ancillary Services (using generation assets)
- ii. **Transmission:** The assets included in this business segment are the facilities, equipment, and assets used for Transmission services, Transmission connection services, Metering services, and related business. These assets will include substations, and their contents, poles and equipment mounted thereon, service and transmission transformers, and the conductors to deliver electrical energy.
- iii. **Distribution:** This business segment includes the facilities, equipment, and assets used for Distribution services, Distribution connection services, Metering services, and related business. These assets will include Substations and their contents, Poles and equipment mounted thereon, service and distribution transformers, and the conductors used to deliver electrical energy.

4.2.1.2 The assets included in this Business Segment are all facilities and assets (including support plant) used for the generation of electricity or the production of Ancillary Services referred to in Section 4.2.1.1 The liabilities included in this Business Segment are all the liabilities incurred directly, or a relevant share of the shared liabilities which are incurred, to provide the services or undertake the activities referred to in Section 4.2.1.1

4.2.1.3 Revenues include all revenues derived from the sale of electricity or the provision of Ancillary Services referred to in Section 4.2.1.1, as well as revenues derived from the sale of related facilities, plant, or assets.

- 4.2.1.4 Costs include all operating and maintenance costs of assets associated with the generation, Transmission, and Distribution of electricity or the provision of Ancillary Services referred to in Section 4.2.1.1 and the depreciation of the assets referred to in Section 4,2,1,2

4.3 Supply Services Business Segment

- 4.3.1.1 This segment comprises the sale of electricity by a Generation company, licensed as Public Electricity Suppliers (PES), to end-users in the PESL and APESL markets. It includes the:
- (a) Billing, collection, and the provision of customer services to such end-users in their capacity as electricity customers or to such other customers in their capacity as purchasers of electricity.
 - (b) Energy trading (include the purchase of electricity and hedging activities undertaken in connection with the sale of electricity to end users who are included in the APESL and PESL markets or to any other customers who are not end-users; and
 - (c) The sale of electricity to end-users who are included in the APESL and PESL markets or to other customers who are not end-users.

Table B: The Relationship between Business Functions and Segments

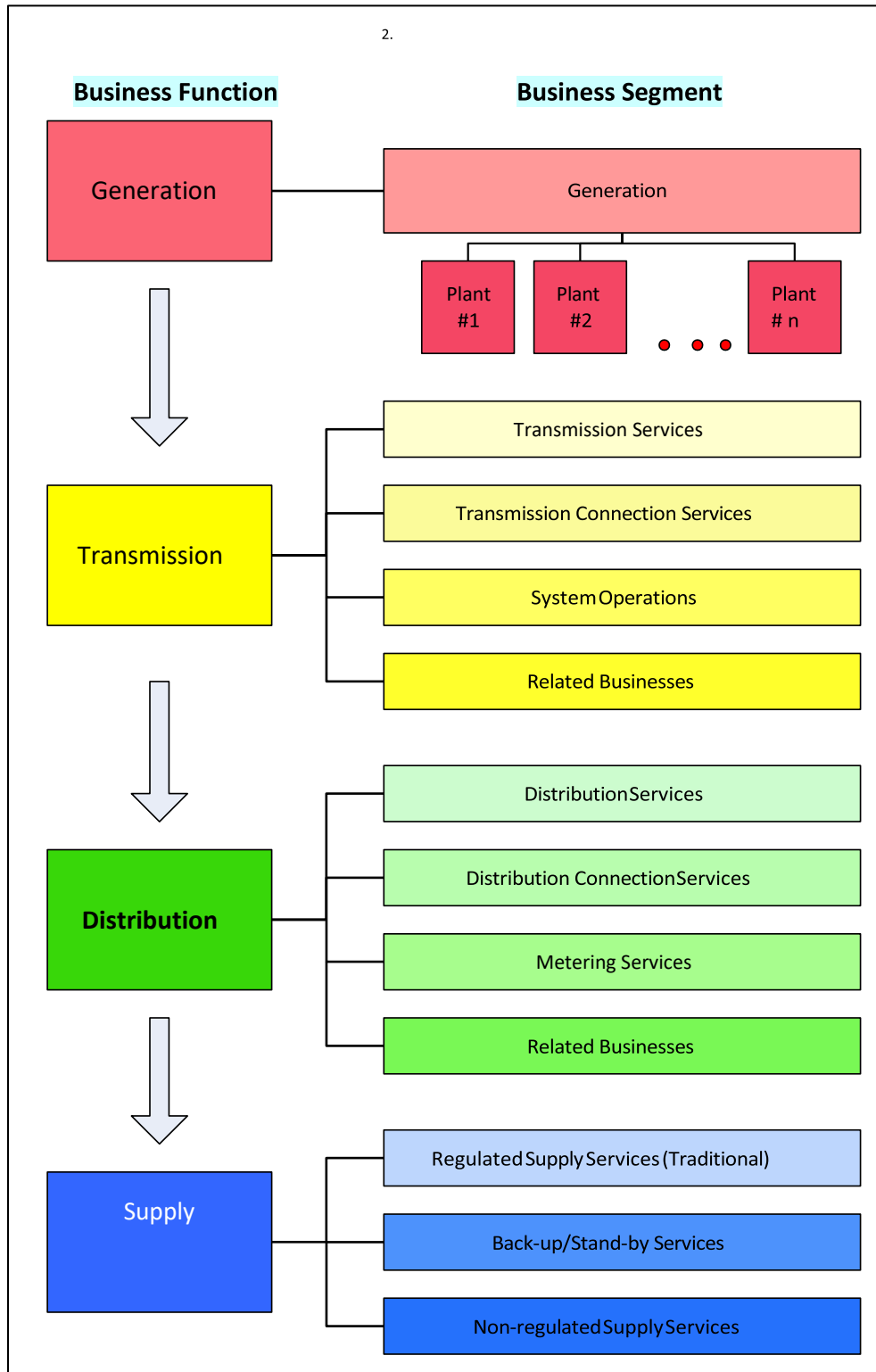


Table C: The Business Functions, Segments and Components

Function	Segment	Components
Generation	Generation Service	Generation of Electricity (Rate base)
		Generation of electricity(Utility owned IPPs
		Generation of electricity (purchases)
		Provision of Ancillary Services
Transmission	Transmission Services	Provision of ancillary services Provision of regulated transmission services Planning, maintenance, augmentation and operation of transmission
	Transmission Connection Services	Provision of access services Planning, maintenance, augmentation and operation of transmission connection assets
	System Operations	Provision of system operation services
	Related Businesses	Related businesses that uses transmission assets, facilities and staff
Distribution	Distribution Services	Provision of ancillary services Provision of regulated distribution services Planning, maintenance, augmentation and operation of distribution
	Distribution Connection Services	Provision of access services Planning, maintenance, augmentation and operation of transmission connection assets
	Metering Services	Provision of metering services (i.e> installation, commissioning, testing, repairs and maintenance of meters and meter reading, etc)
	Related Businesses	Related businesses that uses distribution assets, facilities and staff
Supply	Supply Services	Provision of regulated supply services (i.e. billing, collection, customer services, energy exchange etc) Provision of back-up/stand-by services

ANNEX 1. The Consolidated Income Statement Reporting Format

Public Electricity Suppliers

Total Statement of Income for the Year ended _____

Description	Revenue (BS\$'000)	Operating Costs (BS\$'000)	Profit before Interest & Tax (BS\$'000)	Interest & Tax Costs (BS\$'000)	Extraordinary Items (BS\$'000)	Operation Profit after Interest, Tax and Extraordinary Items (BS\$'000)
<u>Generation*</u>						
<u>Transmission*</u>						
<u>Distribution*</u>						
<u>Supply*</u>						
Elimination of Inter-company Transactions						
Total						
RELATED BUSINESSES⁸						
Total revenue						
Total costs ²						

⁸ Specify by type of revenue and by type of cost

(Continued from previous page)

Description	Revenue (BS\$'000)	Operating Costs (BS\$'000)	Profit before Interest & Tax (BS\$'000)	Interest & Tax Costs (BS\$'000)	Extraordinary Items (BS\$'000)	Operation Profit after Interest, Tax and Extraordinary Items (BS\$'000)
Other adjustments ⁹						
Elimination of Inter-company Transactions						
Total as per audited General Purpose Financial Statements						

⁹ Specify by type (account heading)

ANNEX 2. The Consolidated Mean Capital Employed Statement Format

Public Electricity Suppliers

Total Statement of Income for the Year ended _____

Description	Total Assets	Total Liabilities	Net Assets (Liabilities)
<u>Generation*</u>			
<u>Transmission*</u>			
<u>Distribution*</u>			
<u>Supply*</u>			
Elimination of Inter-company Transactions			
Long-term borrowings, Provision for deferred tax, Provision for dividends payable			
Unallocated dividends receivable, Unallocated interest payable, Unallocated interest receivable			
Unallocated assets/liabilities ²			
Total			
RELATED BUSINESSES			
Assets & Liabilities for Related Businesses			
Shareholders' Equity as per the audited General Purpose Financial Statements			
• Vertically integrated			

ANNEX 3. Business Function Income Reporting Formats

Public Electricity Supplier

Total Statement of Income for the year ended _____

Account code or reference	Description	Generation (BS\$'000)
	Revenue from the sale of electricity and provision of ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total Revenue	
	Maintenance Operating expenses (analyzed as appropriate) Depreciation – Historic cost Depreciation – Appraisal increment	
	Total operating costs	
	Profit before interest and tax	
	Interest	
	Profit before tax and extraordinary items	
	Tax Extraordinary Revenue items ¹ Extraordinary Expense items ¹	
	Profit after interest, tax and extraordinary items	

ANNEX 4. Business Functions/Segments Mean Capital Reporting Formats

Name of Public Electricity Supplier

Statement of Mean Assets and Liabilities as at _____

Account code or reference	Description	BS\$'000
	NON-CURRENT ASSETS	
	Utility plant and equipment – Historic cost	
	Buildings and improvements – Historic cost	
	Information technology – Historic cost	
	Motor vehicles – Historic cost	
	Other Assets (please specify) – Historic cost	
	Total Historic Cost	
	Utility plant and equipment – Accumulated Historic depreciation	
	Buildings and improvements – Accumulated Historic depreciation	
	Information technology – Accumulated Historic depreciation	
	Motor vehicles – Accumulated Historic depreciation	
	Other Assets (please specify) – Accumulated Historic depreciation	
	Total Accumulated Depreciation	
	Investments and advances	
	Land and development	
	Total non-current assets	
	CURRENT ASSETS	
	Cash and cash equivalents Receivables	
	Investments Prepayments Materials and supplies	
	Other current assets	
	Total Current Assets	
	TOTAL ASSETS	
	NON-CURRENT LIABILITIES¹	
	Provisions ² Loans	
	Total non-current liabilities	
	CURRENT LIABILITIES	
	Trade payables and accrued expenses Loans	
	Provisions	
	Total current liabilities	
	TOTAL LIABILITIES	
	NET ASSETS/(LIABILITIES)	

ANNEX 5. Business Functions Cash Flow Formats

Name of Public Electricity Supplier _____

Cash Flow Statement for the year ended as at _____

Account code or reference	Description	BSS'000
	Cash Flows from Operating Activities	
	Net income before tax and extraordinary items	
	Adjustments for depreciation – Historic cost	
	Adjustments for depreciation – Appraisal increment	
	Adjustments for foreign exchange loss / (gain)	
	Investment loss (income)	
	Interest expense (income)	
	Operating income before working capital charges	
	Decrease / (increase) in trade and other receivables	
	Decrease / (increase) in inventories	
	Increase / (decrease) in trade payables	
	Cash generated from operations	
	Interest paid	
	Income taxes paid	
	Cash flow before extraordinary items	
	Extraordinary gain / (loss)	
	Net cash from (used in) operating activities	
	Cash flows from Investing Activities	
	Acquisition of subsidiary	
	Purchase of plant and equipment (analyzed as appropriate) Purchase of land and buildings	
	Interest received Dividends received	
	Purchase of Other Investment Activities	
	Sale of Other Investment Activities	
	Net cash used in (from) investment activities	
	Cash Flows from Financing Activities	
	Proceeds from insurance of stock	
	Proceeds from Long Term Debt (analyzed as appropriated) Payment of financial lease liabilities	
	Dividends paid	
	Net cash used in (from) financing activities	
	Net Change in Cash Equivalents	
	Cash and Cash Equivalents at Beginning of Year	
	Cash and Cash Equivalent at End of Year	

ANNEX 6. Business Functions Revenue Schedule Format

Name of Public Electricity Supplier _____

Revenue Schedule for the year ended _____

Account code or reference	Description	BSS'000
	Direct revenue Revenue from the sale of electricity and ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total direct revenue	
	Indirectly attributable revenue Revenue from the sale of electricity and ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total indirectly attributable revenue	
	Unattributable revenue allocated Revenue from the sale of electricity and ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total unattributable revenue	
	Total revenue	

Note: In addition to the above, it is mandatory to produce for each revenue item that has been allocated to the Business Function a supporting work paper that includes:

- (a) The amounts that have been indirectly attributed to the Business Function
- (b) The amounts that have been allocated to the Business Function
- (c) A description of the allocation basis
- (d) The numeric quantity of each allocation factor

ANNEX 7. Business Segments Cost Schedule Format

Name of Public Electricity Supplier _____

Cost Schedule for the year ended _____

Account code or reference	Description	Generation BSS'000
	Direct costs , Maintenance, Operating expenses Depreciation – Historic cost, Depreciation – Appraisal increment Other costs (analyzed as appropriate)	
	Total direct costs	
	Indirectly attributable costs Maintenance Operating expenses (analyzed as appropriate), Depreciation – Historic cost Depreciation – Appraisal increment	
	Total indirectly attributable costs	
	Unattributable costs allocated Maintenance Operating expenses (analyzed as appropriate), Depreciation – Historic cost Depreciation – Appraisal increment	
	Total unattributable common costs allocated	
	Total operating costs	
	Direct extraordinary items Indirectly attributable extraordinary items Unattributable extraordinary items allocated	
	Total Extraordinary Items	

Note: In addition to the above, for each revenue item that has been allocated to the Business Segment, it is mandatory to produce a supporting work paper that includes:

- The amounts that have been indirectly attributed to the Business Segment
- The amounts that have been allocated to the Business Segment
- A description of the allocation basis
- The numeric quantity of each allocation factor

ANNEX 8. Management Responsibility Statement

To: Utilities Regulation and Competition Authority (URCA)

The management of the (name of Public Electricity Supplier) accepts responsibility for all information and representations contained in the Accounts Separation Statements for the year ended [____]. The Accounting Separation Statements have been prepared per the provisions of the Regulatory Accounting Separation Guidelines for the (name of Public Electricity Supplier) dated [____] (the Guidelines) and satisfy the requirements stipulated by the Utilities Regulation and Competition Authority (URCA).

As such, we hereby state that:

- (a) The relevant systems of accounting and reporting are maintained to ensure that the necessary internal controls of assets, liabilities, and transactions are recognized and maintained.
- (b) Financial activities, transactions, and events are properly recorded; and that costs and revenues are appropriately allocated in accordance with the Guidelines; and
- (c) The accounting policies applied strictly conform to the requirements of the Guidelines and the policies and principles set out in the Accounting and Cost Allocation Manual.

This Management Responsibility Statement has been approved by a resolution of the Board of Directors of PES, dated [____]. A certified copy is attached to this Statement.

Signature_____ Name_____ Date ____

ANNEX 9. Auditor's Statement

To: Utilities Regulation and Competition Authority

Scope

We have audited the Accounts Separation Statements prepared by {name of PES} in the attached regulatory financial report for the year ended [].

Management Responsibility for the Accounts Separation Statements

The management of **(name of PES)** is responsible for the preparation and fair presentation of the Accounts Separation Statements in accordance with Regulatory Accounting Separation Guidelines for the **(name of PES)** (Guidelines) issued by the **Utilities Regulation and Competition Authority (URCA)**. The management has determined that the Accounts Separation Statements satisfy the requirements of the Guidelines, including that:

- the system of accounting and reporting maintained by the management, which provides for the necessary internal controls to ensure that assets, liabilities, and transactions are appropriately recorded and recognized, and that revenues and costs are correctly allocated, has been implemented and maintained; and
- The accounting policies are consistent with the Guidelines' requirements and the approved Accounting and Cost Allocation Manual.

Auditors' Responsibility

Our responsibility is to express an opinion on the Accounts Separation Statements based on our audit. In the audit conducted no opinions are expressed on the appropriateness of accounting policies applied by URCA.

These Accounts Separation Statements have been prepared by the **(name of PES)** in keeping with the reporting requirements of the Guidelines established by URCA. We disclaim any assumption of responsibility for any reliance on this report, or on the Accounts Separation Statements to which it relates, to any person other than URCA, or for any purpose other than that which it was prepared.

This audit has been executed in compliance with generally accepted auditing standards in the Bahamas. Our procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the Accounts Separation Statements and evaluating significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the Accounts Separation Statements are presented fairly in accordance with the requirements of the Guidelines and the approved Accounting and Cost Allocation Manual.

Opinion

[To be completed by Auditors]

Name: Signature: Date:

Audit Opinion

It is our opinion that the Accounting Separation Statements have been correctly constructed in accordance with the Accounting Separation Guidelines, and that the Accounting and Cost Allocation Manual (ACAM) prepared by the **(Name of the Public Electricity Supplier)** and provided to the Utilities Regulation and Competition Authority (URCA) in all material respects, present fairly the following:

- (i) The Statements of Income for each Business Function.
- (ii) The Total Statement of Income of the **(Name of the Public Electricity Supplier)**;
- (iii) The Statement of Assets and Liabilities for each Business Function.
- (iv) The Statement of Assets and Liabilities of the **(Name of the Public Electricity Supplier)**; and
- (v) The Cash Flow Statement for each Business Function.

Material exceptions and their respective effects on the Accounting Separation Statements are as follows:

[Describe any material exceptions]

Date: _____

Firm: _____

Partner: _____

Address: _____

ANNEX 10. The Structure and Allocation of Cost

Type of Costs

Cost in a firm may be broken down into two types of costs, fixed costs and variable costs:

1. *Fixed costs*: refer to costs that are independent of the quantity of output in the production of a product. These costs are not directly attributable to a single product when multiple products are produced in the production process. These costs are generally associated with the infrastructural facilities and are shared by several products in the production process.
2. *Variable costs* pertain to costs that vary with the output level. If a company produces a single product, then the variable costs are directly attributable to the product generated. If, on the other hand, the company produces multiple products, then these costs are indirectly attributable to each product generated.

Costs Attribution

In assigning cost or revenue to a specific business segment, a distinction must be made between the various classes of costs. As such, accounting items should be classified as follows:

- a) *Direct cost/revenue* refers to costs incurred, or revenues generated exclusively by a specific product and are recorded in accounts assigned to that particular product.
- b) *Directly attributable cost/revenue* refers to costs incurred, or revenues generated by a specific product, but are recorded in accounts not exclusively assigned to the product.
- c) *Indirectly attributable cost/revenue* refers to costs incurred or revenues generated collectively by a group of products or services. Still, it can be traced to a particular product by an objective process based on cause-and-effect relationships.
- d) *Unattributable cost/revenues*: refers to costs conjointly incurred, or revenues collectively generated that cannot be objectively linked by a causal relationship to a particular product.

Cost Allocation Process

The company shall be required to record the costs incurred and revenues generated in its accounts to be directly allocated to products/services. In situations where direct allocation is not possible, costs and revenues should be attributed based on causation so that assignments can be made to the appropriate business segments.

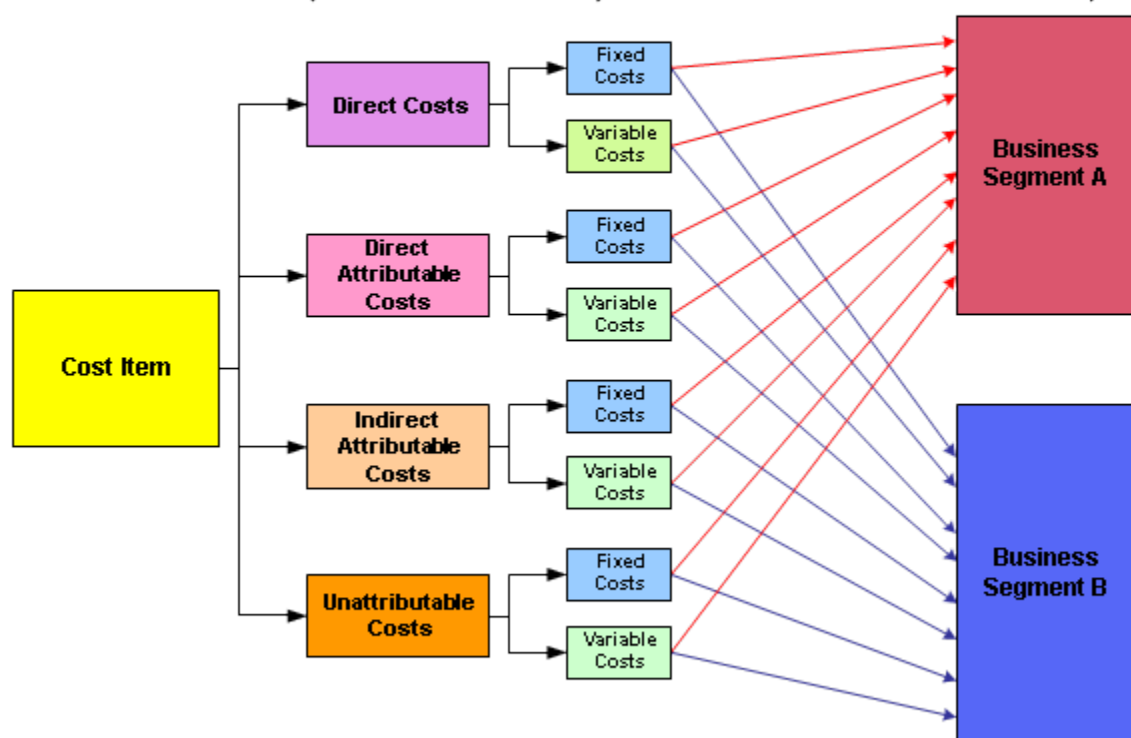
The allocation of costs/revenues shall be based on clear and rational rules developed in the company's allocation manual. As shown in the Figure below, the cost allocation process starts with deconstructing costs/revenues to facilitate their allocation to their respective business segments.

THE COST ALLOCATION PROCESS

Cost Deconstruction

Cost Separation

Cost Allocation



5. References

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