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Regional Workshop on Uniform System of Accounts and Regulatory Reporting

Questionnaire for Accounting Workshop Participants

To: Uniform System of Accounts and Regulatory Reporting Participants
From: Thomas Welch, Pierce Atwood
Date: February 7, 2008

Dear Participants:

The purpose of this questionnaire is to identify and discuss effects of implementing the Chart of Accounts into regulatory practices since the last workshop. We kindly request that you incorporate the three sets of questions below when you present your country updates. Please kindly submit your Power Point presentations to Mr. Thomas Welch at twelch@PierceAtwood.com and to Ms. Erin Skootsky at eskootsky@naruc.org. Any questions related to presentations should be addressed to Tom at the address above. Please submit your presentations no later than **Friday, February 15, 2008**. Please give detailed explanations. Also attached are case studies as reference for topic discussion in your presentation.

Section I. USOA implementation

For your commission or company:

1. Have International Accounting Standards been implemented?

Utilities in Kosova, as with other Kosovar companies, are required to implement International Financial Reporting Standards.

If so, for how long?

?

If not, are there plans to do so?



n/a

2. Have Regulatory Accounting Standards been implemented?

RAS have been promulgated, but full implementation is not yet complete.

If so, for how long?

RAS were issued initially in 2006 for application in 2007. However, implementation difficulties (due to the inability to separate accounts internally within different businesses of the utilities and unreliable reporting systems) are delaying full application.

If not, are there plans to do so?

Yes, the intention remains to implement the RAS in full (which is also a licence condition for the utility).

How do (or will) those standards differ from International Accounting Standards?

The RAS require reporting in formats consistent with the tariff methodology adopted by ERO. This includes separate reporting for each business within integrated utilities, separation of regulated and unregulated costs and revenues and separation of assets by funding type and age (pre-2006 / post-2006 donor-funded / post-2006 other assets). No comparison of the RAS with IAS has been carried out.

3. Have Reporting Forms been developed?

Yes

If so, have they been completed by the utilities?

Not fully (see 2 and 4)

If not, are there plans to develop them and require their use?

n/a

4. Has the information reported in the charts of accounts or the reporting forms been complete?

No.

If not, what data has been missing?

Difficulties have been experienced in obtaining reliable cost and asset data by individual business unit.

What efforts have been made to obtain the additional data? What result?

Ongoing efforts are being made to complete the RAS. These are linked to continuing work by the utility to improve its internal financial management systems. Once this work is completed then it is expected that completion of the RAS will be possible.

5. Has the staff of the regulatory agency met with the utility concerning implementation?

Yes

How often?

Discussions are held approximately monthly, as well as ongoing email and telephone correspondence

What issues have been discussed and/or resolved?

Discussions have focused on definitional issues, in order to assist the utility in understanding what information it needs to extract from its accounts to complete the RAS. There have also been problems with inconsistent data being provided by the utility, which have needed to be resolved.

Have the meetings been useful?

Yes

6. Based on your experience to date with the implementation of regulatory charts of accounts, what recommendations to you have for regulatory agencies and companies which have not yet completed the process?

Section II. Case Studies

Identify a specific substantive area where you have made use of information from the regulatory charts of accounts. If possible, select an area where there has been a dispute or disagreement. With respect to that area, provide the information below.

1. What is the substantive area?

Assessment of distribution network maintenance costs

2. What is the context in which it was used? (E.g. license compliance, rate proceeding, market monitoring, etc.)

Tariff review (rate proceeding)

3. What issues arose concerning the use of the data?

Accuracy?

A number of differing figures were provided by the utility, drawn from differing internal sources (accounts / budget requests / tariff application). These were inconsistent with each other

Prudence (i.e. was the expenditure too high)?

Maintenance costs appeared excessive compared to actual levels in preceding years and to the benchmark measure (% of replacement cost asset base) previously used by the regulator.

4. What was the process to resolve the dispute?

The regulator reviewed data and identified inconsistencies. These were provided to the utility together with initial comments on the prudence of costs in order to obtain a final proposed figure for these costs from the utility.

5. How was the dispute resolved?

The regulator will issue a final decision on the allowed costs, based on the assessment of the differing evidence provided

Section III. Comparative Data

1. Have you used data in regulatory charts of accounts obtained from utilities in other jurisdictions to compare with data provided by utilities in your jurisdiction?

No

If so, what data?

How was the data used?

Where was the data obtained?

2. What data from other jurisdictions would be most useful to you in analyzing data in your own jurisdiction?

Data on loss levels and unit operating and maintenance costs to allow limited benchmarking of utility performance

3. What is most efficient and effective way for you to be able to access data from other jurisdictions?

Internet database

4. Is the data obtained from utilities in your jurisdiction posted on the internet?

Not as yet, except in limited fashion as part of the tariff review process

Are there limitations on access?

Confidential information (as determined by the regulator on request by the utility) is not posted

If so, what are they and why are they imposed?

Commercial confidentiality