



# **Methodology Statement for Accounting Separation 2019/20**

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Affinity Water Limited

July 2020

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# 1 Introduction

## 1.1 Purpose

The purpose of this document is to set out our approach on accounting separation ('AS') and the systems, processes and allocation assumptions used to prepare the AS tables within the company's regulatory accounts. Ofwat requires this document to be submitted alongside our regulatory annual performance report ('APR').

## 1.2 Scope

This document relates to the appointed business of Affinity Water Limited ('AWL'). However within this document we explain how we calculate and remove any non-appointed business activity from financial information presented in our statutory accounts to only leave the appointed business.

## 1.3 Overview

Each company is required to present a baseline level of financial information for different parts of their appointed business for which Ofwat sets the price controls for 2015-2020.

AWL does not organise or manage its business on the same basis as reported in the APR tables and, therefore, some costs are not directly attributable to either a price control unit or Wholesale business unit. Where no direct allocation is possible, the guidance contained in the Regulatory Accounting Guidelines ('RAGs') is followed.

This document should be read in conjunction with Ofwat's guidelines on AS contained within RAG 2.07, 4.08 and 5.07, and information presented in our APR published as part of AWL's annual report and financial statements for the year ended 31 March 2020, which can be found on our website: [affinitywater.co.uk/corporate/investors/library](http://affinitywater.co.uk/corporate/investors/library).

## 1.4 Cost allocation principles

Our approach to AS applies the general principles set out by Ofwat in RAG 2.07 and RAG 5.07, as follows:

Principle	Ofwat's requirement	Our approach
Transparency	The cost attribution and allocation methods applied to allocate costs within the APR need to be transparent. This means that the costs and revenues apportioned to each price control unit or business unit should be clearly identifiable. The cost and revenue drivers used within the system should be clearly explained to enable robust assurance against this guidance.	Direct costs are identifiable and can be traced back to our accounting ledgers. Every effort has been made to minimise costs and revenues not directly allocated and this methodology statement is transparent in detailing our approach to indirect cost allocation. We have addressed concerns raised by Ofwat in relation to chosen cost allocation methods not being properly justified (refer to section 1.5.2 for further details).

Principle	Ofwat's requirement	Our approach
Causality	Cost causality requires that costs (and revenues) are attributed or allocated to those price control or business units that cause the cost (or revenue) to be incurred. This requires that the attribution or allocation of costs and revenues to price control or business units should be performed at as granular a level as possible.	Where possible, costs are directly allocated to price control or business units that cause the cost to be incurred. If this is not possible, the allocation guidelines contained in RAG 2.07 have been followed, as described in this methodology statement.
Non-discrimination	The attribution or allocation of costs and revenues should not favour any price control unit or appointed/non-appointed business and it should be possible to demonstrate that internal transfer charges are consistent with the prices charged to external third parties.	We allocate costs in an objective way that reflects as much as possible the cost burden on each price control unit or business unit, or relating to the appointed/non-appointed business.
No cross subsidy between price controls	Following the introduction of separate binding price controls at the 2014 price review ('PR14'), companies cannot transfer costs between the price control units in setting prices and preparing the APR. Transfer prices should be based on market price unless no market exists, in which case transfer prices should be based on cost.	<p>Costs are compliant with RAG 5.07 guidelines for transfer pricing and no costs are transferred between price control units.</p> <p>Our methodology for recharging the cost of providing support services to another group company is detailed in section 3.2.2.</p>
Objectivity	The cost and revenue attribution criteria need to be objective and should not intend to benefit any price control unit or appointed/non-appointed business. Cost allocation must be fair, reasonable and consistent.	The basis of cost allocation and revenue attribution are as objective as possible and are not designed to favour any price controls, appointed/non-appointed business or associated companies. 12% of our 2019/20 costs (11% of 2018/19 costs) are allocated based on management estimates (refer to the table on page 13).
Consistency	Costs should be allocated consistently by each company from year to year to ensure meaningful comparison of information across the sector and over time. Any changes to the attribution and allocation methodology from year to year should be clearly justified and documented.	We have been consistent in our methodology. Any changes are detailed and justified in section 1.5.2.
Principal use	Where possible, capital expenditures and associated depreciation should be directly attributed to one of the price control units. Where this is not possible as the asset is used by more than one price control unit, it should be reported in the price control unit of principal use with recharges made to the other price control units that use the asset reflecting the proportion of the asset used by the other price control units.	Where possible assets and associated depreciation are directly attributed to a price control unit. The majority of shared use assets are classified under the Wholesale – Network+ business unit with a recharge of depreciation made between price controls and business units in proportion of their use, as detailed in section 4.1.

## 1.5 Significant changes year on year

### 1.5.1 Total operating expenditure

We prepared our financial statements in accordance with Financial Reporting Standard 101: 'Reduced disclosure framework' ('FRS 101') for both 2019/20 and 2018/19.

Operating cost for price control unit	2019/20 £m	2018/19 £m	Movement £m
Wholesale – Water Resources	15.40	16.02	0.62
Wholesale – Water Network+	157.95	157.55	(0.40)
Retail Household	29.86	27.11	(2.75)
Retail Non-household	-	-	-
<b>Total</b>	<b>203.21</b>	<b>200.68</b>	<b>(2.53)</b>

#### Wholesale – Water Resources

Wholesale – Water Resources operating expenditure has decreased by £0.62m (4%) compared to the prior year. The decrease can be explained by the factors below. Note explanations for significant variances (greater than 10% or over £0.50m) have been provided.

- £0.03m (1%) decrease in Power costs.
- £0.33m (8%) decrease in Abstraction charges / discharge consents.
- £0.31m (27%) decrease in Bulk Supply costs as costs are apportioned based on the exporting company cost allocations, where more costs were allocated to Water Network+ in the year.
- £0.13m (2%) increase in Other Operating Expenditure.
- £0.07m (4%) decrease in Local Authority and Cumulo Rates.

## **Wholesale – Water Network+**

Wholesale – Water Network+ operating expenditure has increased by £0.40m (1%) compared to the prior year. The increase can be explained by:

- £0.50m (3%) increase in Power costs.
- £1.39m (24%) increase in Bulk Supply costs due to higher volumes of imports in the current year, in addition to a credit recognised in the prior year relating to previous imports of bulk water from Grafham reservoir.
- £0.12m (1%) decrease in Renewals expensed in the year (Infrastructure).
- £0.47m (0%) decrease in Other Operating Expenditure.
- £0.46m (3%) decrease in Local Authority and Cumulo rates.
- £0.43m (16%) decrease in third party costs due to a higher number of contractors working on these projects in the prior year.

## **Retail household**

Retail household operating expenditure has increased by £2.75m (10%) compared to the prior year. The increase can be explained by:

- £0.75m (10%) decrease in Customer Services costs due to a reduction in headcount and lower printing costs in the year.
- £nil (0%) movement in Debt Management costs.
- £2.95m (45%) increase in Doubtful Debts. The increase is due to an additional provision recognised in the year relating to COVID-19 in addition to a large proportion of Household write-offs have that been delayed in 2019/20 pending debt sale activity in 2020/21. Our bad debt provision has increased to reflect this and our bad debt charge for the year remains unaffected by this delay.
- £0.21m (17%) increase in Meter Reading cost as during the year we increased the number of customers on metered tariffs by 7% as part of our Universal Metering Programme, increasing meter read costs.
- £0.35m (4%) increase in Other Operating Expenditure.

## **Retail non-household**

AWL exited the non-household retail market on 1 April 2017. No costs have been identified for allocation to this area since this date.

## 1.5.2 Changes to accounting methodology

Amendments have been made to ensure we are compliant with Ofwat's revisions to the RAGs for 2019/20 and to address feedback from Ofwat on our 2018/19 APR. See below for a list of changes made this year:

1. To align with the methodology used to calculate gearing as part of the PR19 process, capitalised debt issue costs and bond premiums/discounts, and the amortisation of these have been excluded from total borrowings used in the calculation of gearing in table 1E. This gearing figure, together with restated prior years' gearing figures for this methodology change, have been used in the calculations underpinning table 1F. The restated prior year gearing figures set out in the below table, reduce previously reported retained values.

	2015/16	2016/17	2017/18	2018/19
Gearing previously reported (%)	75.37%	77.96%	79.67%	79.66%
Restated gearing (%)	74.49%	76.19%	78.11%	78.19%
Change	(0.88%)	(1.77%)	(1.56%)	(1.47%)

2. Figures for prior years of AMP6 used in the calculation of the price review to date in table 1F have been restated from those used in the calculation of the republished 2018/19 table 1F included in the company's Regulatory Annual Performance Adjustments publication, which can be found on the company's website: [affinitywater.co.uk/corporate/investors/library](http://affinitywater.co.uk/corporate/investors/library), to reflect the ODI penalty of £9.961m (in 2012/13 prices) incurred for SIM performance over the first four years of the AMP. It has been assumed that this penalty has been incurred equally over the first four years of the AMP (i.e. an annual ODI penalty of £2.490m in 2012/13 prices).
3. Cost allocation for allocating household retail operating costs between measured and unmeasured for customer services: non-network customer enquiries and complaints and customer services: network customer enquiries and complaints was previously allocated based on the volume of contact based on all enquiries by household unmeasured and measured customers. In the current year the methodology has been updated to allocate separately based on non-network and network enquiries and complaints by household measured and unmeasured customers.
4. IFRS 16 became applicable for the year ended 31 March 2020 and the statutory and regulatory accounts have been prepared under the new accounting standard. This has resulted in the company recognising £14.494m right-of-use assets and lease liabilities. A reconciliation has been included in the APR under table 1A showing total expenditure under the previous and current accounting standard. These assets are included in the totals in table 2D and depreciation on the right-of-use assets is also included in tables 2A, 2C, 2D and 4V. Right-of-use assets recognised under IFRS 16 have been allocated to the price controls on a principal use basis.

## **1.6 Planned changes to accounting methodology for 2020/21**

Potential changes which will be considered in the year to 31 March 2021 to ensure continuous improvement in our reporting are as follows.

### **New financial and business management system**

In 2019/20, the company used Oracle E Business Suite ('Oracle') as its primary financial and business management system. The company is working to upgrade its system and will be reporting under a new Oracle Fusion management system by 31 March 2021.

### **Reporting under the new format of tables in AMP7**

The company will report in line with the new RAGs and tables in AMP7. The company is in the process of considering the 2020/21 consultation published by Ofwat in June 2020 and will work to ensure reporting for the year ended 31 March 2021 will be in line with the final published documentation.

### **Activity Based Costing**

A project has been underway over the last few years to enable the business to use Activity Based Costing within our Oracle E Business Suite ('Oracle') system and more recently, to implement this into our Oracle Fusion management system (see details in section 2.1 on systems), to allow the business to review regional variances in costs. This is enabling the business to perform more detailed analysis on figures.



## 2 System and structures

### 2.1 System

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For the year under review, the company used Oracle E Business Suite ('Oracle') as its primary financial and business management system. Oracle has been designed to meet the reporting needs of the business and prepare financial statements in accordance with the Companies Act 2006, the requirements of which differ from the RAGs issued by Ofwat and the accounting separation tables discussed herein. The company is working to upgrade its system and will be reporting under a new Oracle Fusion management system for the year ended 31 March 2021.

### 2.2 Structures

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Our operating expenditure is primarily divided into 12 main directorates. These are:

1. Asset Strategy, Data and Innovation
2. Community Operations
3. Production and Supply
4. Developer Services
5. Customer Experience
6. HR and Culture
7. Regulation and Strategy
8. Assurance
9. Communications, Communities and Corporate Affairs
10. Legal and Insurance
11. Information Technology
12. Finance and Business Services

The costs in these areas are split further by the use of cost centres which have individual budget holders allocated to them.

Alongside directorate reporting we also report total operating expenditure by cost type. The key cost types are:

1. Employment
2. Power
3. Rates
4. Chemicals
5. Subcontracting
6. Bad debt charge
7. Environmental charges
8. Bulk water purchases

## 3 Operating expenditure allocation assumptions

### 3.1 Approach taken

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The core data for the model is taken from the year end Trial Balance ('TB') prepared in Oracle. Each line of the TB is individually allocated either to a business unit (as defined by Ofwat in RAG 4.08 – Water Resources - Abstraction Licences, Water Resources - Raw Water Abstraction, Raw Water Distribution - Raw Water Transport, Raw Water Distribution - Raw Water Storage, Water Treatment, Treated Water Distribution and Retail), classified as a Balance Sheet item, as Not Applicable or as an Overhead. This allows a clear audit trail back to the audited accounts.

### 3.2 Removal of non-appointed cost

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Before each line is individually allocated to a business unit, non-appointed costs are deducted from the TB to leave only appointed costs.

Non-appointed costs are calculated within a separate model using various assumptions. The adjustments are shown within table 1A of the APR. Our three non-appointed activities are:

1. Sewerage meter reading, billing, cash collection and infrastructure commission
2. Recharges for support services
3. Unregulated income (value added services)

#### 3.2.1 Sewerage meter reading, billing, cash collection and infrastructure commission

The main costs associated with sewerage commission are:

Meter reading costs. The proportion of meter reading costs relating to properties billed by the company for both water and wastewater services is calculated using property numbers with this cost then allocated 50%:50% between our Retail household business unit and non-appointed business.

Staff costs within our debt collection team and other support teams. We assume our debt collection team spends 49% of their time on sewerage collections on average based on the percentage of sewerage collections in relation to our total cash collected for the financial year. Our support teams who process weekly payments and provide other analysis keep a record of the time they have spent on sewerage activities. This percentage is then applied to the relevant employment cost.

Debt collection agency cost is split in the same proportion as an average customer's total water and sewerage bill for the financial year.

General overheads are allocated to the non-appointed business based on the percentage of non-appointed revenue in relation to our total revenue for the financial year.

Other smaller costs such as bank and audit fees relating to our joint billing contracts with Thames Water and Anglian Water are allocated directly to our non-appointed business based on their cost.

### 3.2.2 Recharges for support services

Up until 31 March 2020, Affinity Water Limited had a service agreement with group company Affinity for Business (Retail) Limited (renamed Castle Water (Southern) Limited from 3 April 2020), a non-household retailer, to provide support services to the company. These services include finance and procurement services, IT support, legal support, HR and regulation support, customer relations support, and fleet services. On 1 April 2020, Affinity for Business (Retail) Limited was sold outside of the group to Castle Water Limited and the existing service agreement terminated. Limited services will continue to be provided until mid 2020.

For the year under review, there was a signed Corporate Service Agreement (the 'agreement') between Affinity Water Limited and Affinity for Business (Retail) Limited, which included details of the nature of the services provided, terms of the supply and the charges. Separate detailed TB codes are used to recognise the recharges to the non-household retailer and these are removed from the TB with other non-appointed activities. Both the recharge and costs are treated as non-appointed for regulatory reporting.

Service	Basis of cost recharge
Finance and procurement services and IT support	Services per the agreement charged at a fixed annual fee, calculated as the actual cost to the business using a number of different drivers dependent on the service being recharged, including revenue, staff numbers, transaction count and property numbers.
Legal support, HR and regulation support and customer relations support	Services per the agreement charged at a fixed annual fee, calculated as the actual cost to the business per employee and the time commitment for the service using employee timesheets. Additional support services provided outside of the agreement are recharged at cost per hour using employee timesheets.
Fleet services	Fixed charge per vehicle based on cost incurred by the business.

The above recharges are calculated based on cost to the appointed business, in line with section 7 of RAG 5.07 – Guideline for transfer pricing in the water and sewerage sectors, where there is no market for the services provided.

### 3.2.3 Unregulated income (value added services)

The main costs associated with unregulated income are direct costs and staff costs. A record of the time spent by staff on non-appointed activity is maintained and allocated accordingly.

### 3.2.4 General and support

With the exception of the recharges for support services, which are recharged at cost and deducted from the TB directly, an element of general and support costs associated with running the remaining non-appointed activity is allocated.

We apportion these costs based on the percentage of unregulated income compared to total income for AWL. This treatment is consistent with 2018/19.

### 3.3 Direct cost

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The first level driver for this allocation is the cost centre number. However, where the cost centre does not match directly to a business unit, there is a degree of percentage allocation based on cost centre manager assessment or other analysis as appropriate.

The second level for cost allocation is the detail code used to describe an expenditure type. This allocation is used for the wholesale tables (2B, 4D, 4J and 4V (operating cost analysis only)), where we have to report costs at the following level of detail:

1. Power
2. Income treated as negative expenditure
3. Abstraction charges / discharge consents
4. Bulk supply
5. Renewals expensed in year (split between infrastructure and non-infrastructure)
6. Other operating expenditure (such as employment, hired and contracted, materials, associated companies and other direct costs)
7. Local Authority and Cumulo rates

In order to simplify the model we have grouped together, wherever possible, cost centres and detail codes into 20 allocation categories. Each category has a percentage allocation assumption, allocating costs to the various business units. These percentages are periodically reviewed and we continue to ensure the managers have supporting evidence for this split. Please refer to the table on the next page for details, which also identifies the amount of cost within each category allocated based on management estimate.

Each cost centre is given an allocation category, this drives the percentage allocation applied and the output is a financial value allocated to each business unit, per TB line. These detail codes have been analysed and allocated to one of the allocation categories detailed, in a consistent manner.

This is fully detailed in the Appendix.

Ref	Type	Business unit allocation cost driver	Last reviewed	Water Resources		Raw Water Distribution		Water Treatment	Treated Water Distribution	Retail	General & Support	Total
				Abstraction licenses	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Trunk treated water distribution			
1	Balance Sheet / Revenue / Not Applicable	N/A	Mar-20									0.00%
2	Power	Pump head analysis	Mar-20	0.00%	13.56%	13.85%	0.00%	11.32%	61.27%	0.00%	0.00%	100.00%
3	Supply Management	Management estimate of activity by employee	Mar-20	0.00%	26.00%	1.42%	1.42%	2.23%	68.93%	0.00%	0.00%	100.00%
4	Abstraction Charges	Direct to Abstraction Licenses	Mar-20	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
5	Bulk Supply	Average cost of exporting company per their APR	Mar-20	7.73%	2.83%	0.00%	0.00%	89.43%	0.00%	0.00%	0.00%	100.00%
6	Atypical	Annually review depending on nature of cost	Mar-20	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
7	Estates Management	Based on proportion of direct allocation of large maintenance contracts	Mar-20	0.00%	7.42%	6.60%	13.14%	37.35%	35.49%	0.00%	0.00%	100.00%
8	Chemicals	Direct to Water Treatment	Mar-20	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%
9	Production	Management estimate of activity by employee	Mar-20	0.00%	13.72%	0.34%	1.19%	52.27%	32.48%	0.00%	0.00%	100.00%
10	Network Services	Based on job type	Mar-20	0.00%	0.00%	0.04%	0.00%	0.00%	99.96%	0.00%	0.00%	100.00%
11	Customer Operations	Based on job type	Mar-20	0.00%	0.00%	0.04%	0.00%	0.00%	99.96%	0.00%	0.00%	100.00%
12	Leakage	Direct to Treated Water Distribution based on Leakage Measurement	Mar-20	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%
13	Asset Management	Management estimate of activity by employee	Mar-20	0.00%	41.30%	0.00%	0.00%	23.70%	35.00%	0.00%	0.00%	100.00%
14	Water Quality	Management estimate of activity by employee	Mar-20	0.00%	10.00%	1.00%	0.00%	36.00%	53.00%	0.00%	0.00%	100.00%
15	Rates	Current Cost Gross Book Value per Ofwat Guidance	Mar-20	0.00%	12.65%	2.16%	0.00%	18.94%	66.25%	0.00%	0.00%	100.00%
16	Regulation	1/5 per OFWAT Guidance	Mar-20	10.00%	10.00%	10.00%	10.00%	20.00%	20.00%	20.00%	0.00%	100.00%
17	Retail	Direct to Retail	Mar-20	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	100.00%
18	Overheads	Direct to Overhead	Mar-20	0.03%	2.86%	0.12%	0.10%	4.29%	19.23%	1.24%	72.12%	100.00%
19	Third Party Cost	Direct to Treated Water Distribution based on export Cost Model	Mar-20	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	100.00%
20	Other	Annually review depending on nature of cost	Mar-20	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	100.00%

Total Operating Cost (£m) - Excluding IRE)	Cost based on management estimate (£m)	Management estimate
22.39	0.00	0.00%
1.86	1.86	100.00%
3.63	0.00	0.00%
7.95	0.00	0.00%
0.00	0.00	0.00%
2.79	0.73	26.25%
2.44	0.00	0.00%
9.92	9.92	100.00%
34.93	0.00	0.00%
16.01	0.00	0.00%
2.87	0.00	0.00%
2.24	2.24	100.00%
5.72	5.72	100.00%
15.23	0.00	0.00%
3.98	0.00	0.00%
24.90	0.00	0.00%
26.93	1.23	4.56%
2.27	0.00	0.00%
0.00	0.00	0.00%
<b>186.06</b>	<b>21.69</b>	<b>12%</b>

## 3.4 Indirect costs

Every effort has been made to minimise the number of TB lines that are not directly allocated to a business unit; however there are four expense categories that require proportional allocation across the business units. These are:

- General and Support ('G&S')
- Other business activity (Regulation)
- Local Authority and Cumulo rates
- Customer Service Technicians

### 3.4.1 General and support

We have six main cost types within General and Support costs totalling £26.93m. These costs are allocated amongst each of the business units and Other Business Activity (Regulation). The below tables show what type of costs are included in General and Support and basis of allocation. Note that timesheets are not formally kept by the business and therefore is not a basis of allocation for a number of costs where this is prescribed by Ofwat as the preferred driver.

Type of cost	Basis of allocation	Total cost (£m)
Human Resources	<ol style="list-style-type: none"> <li>1. Direct allocation of staff, training and recruitment cost</li> <li>2. Number of FTEs for remaining cost</li> </ol>	1.75
Head Office Facilities Management and Property Rent	Floor space of Head Office	0.95
Procurement	Hired & contracted, material cost and other smaller values general ledger codes deemed to be influenced by the activities of the procurement department	0.58
Information Technology	<ol style="list-style-type: none"> <li>1. Direct allocation of key systems</li> <li>2. Number of FTEs for remaining cost (assuming each FTE has one device)</li> </ol>	8.12
Legal and Insurance	<ol style="list-style-type: none"> <li>1. Direct allocation of public liability premium and uninsured claims to Wholesale – Water Network+ - Treated Water Distribution</li> <li>2. Remaining premiums (largest ones being employer liability, motor insurance and property damage) are allocated based on number of FTEs</li> </ol>	4.89

Type of cost	Basis of allocation	Total cost (£m)
	3. Staff cost allocated based on management estimate of time spent within each business unit considering the level of legal support provided to each business unit in the year	
Other: Finance, General Management, Corporate Services, Health and Safety and External Communication	1. Direct allocation of employees where applicable 2. Number of FTEs for remaining cost	10.64

The General and Support, scientific services and regulatory costs are allocated to the price control units in the following proportions:

Price control unit	Costs allocated to unit £m	% allocated to each price control unit
Wholesale – Water Resources	1.68	6%
Wholesale – Water Network+	21.23	79%
Retail – Household	4.03	15%

### 3.4.2 Other business activity (Regulation)

This cost includes direct allocation from the regulation cost centre plus an element of general and support cost based on the allocation mentioned above. This cost is then allocated on an even basis in line with the most recent regulatory guidance in RAG 2.07 across the five original business units: water resources, raw water distribution, water treatment, treated water distribution and retail.

Within water resource and raw water distribution this cost has been further split evenly across the additional business units.

### 3.4.3 Local Authority and Cumulo Rates

Cumulo Rates are allocated based on an assumption of rateable value attributed to the wholesale and retail business units.

Head office building rates are allocated on the floor space of head office.

### 3.4.4 Customer Service Technicians

Customer Service Technician costs are allocated between wholesale and retail business units based on the split of time spent on each activity.

## 3.5 Operating cost analysis for the wholesale business

The table below shows how costs are allocated to each line in tables 2A, 2B, 4D, 4J and between lines in table 4V.

### 3.5.1 Allocation to cost driver

Table line	Activity / cost type	Cost driver	Allocation to business unit ('BU')
Power	Power	Direct allocation by use of specific expenditure codes and cost centres.	Aggregated Average Pumping Head data for each BU.
Income treated as negative expenditure	Power	Direct allocation by use of specific expenditure codes and cost centres.	Aggregated Average Pumping Head data for each BU.
Abstraction Charges / Discharge Consent	Abstraction Charge	Actual charges from the Environment Agency allocated to wholesale.	Direct allocation to Water Resources – Abstraction Licenses by use of specific expenditure codes and cost centres.
Bulk Supply	Bulk Supply Import	Direct allocation by use of specific expenditure codes and cost centres.	Costs split between water resources and water treatment based on the average cost of the exporting company for supply and treatment per their regulatory annual performance report for the year ended 31 March 2019 (last publicly available information).
Other Operating Expenditure	<b>Direct cost</b> Employment Materials Hired & Contracted Other Direct Cost	Costs directly allocated to wholesale.	<p>Direct allocation of employment, materials, hired &amp; contracted and other Direct Cost based on expenditure type.</p> <p>If a cost centre covers more than one business unit, costs are allocated based on activity drivers listed in the table on page 13.</p> <p>Other direct costs are all allocated to individual BUs via cost centres and expenditure codes. This includes cost such as Vehicle Expenditure (excluding fuel), Mobile Phone and Other Sundry items.</p>



Table line	Activity / cost type	Cost driver	Allocation to business unit ('BU')
	<p><b><u>Indirect Cost</u></b></p> <p>Executive and non-executive director remuneration</p> <p>General and Support (including Doubtful Debt)</p> <p>Scientific Services</p> <p>Other Business Activity</p>	<p>Costs indirectly allocated to wholesale.</p>	<p>Executive and non executive director costs have been allocated based on the total number of FTEs. We consider this best determines the time spent by the team as detailed timesheets are not maintained.</p> <p>General &amp; Support costs are allocated directly where possible and then based on the number of FTE in each business unit.</p> <p>Scientific Services – costs are allocated all to wholesale and split into business unit by management estimate of activity carried out by each individual employee.</p> <p>Other Business Activity – allocated on an even basis across the business units.</p>
<p>Local Authority and Cumulo Rates</p>	<p>Local Authority and Cumulo Rates</p>	<p>Actual charge from Local Authority.</p> <p>Cumulo Rates allocation based on rateable value attributed to wholesale.</p>	<p>Cumulo Rates are allocated to each BU based on GMEAVs.</p> <p>Head Office Building Rates are allocated based on floor space.</p>
<p>Third Party Services</p>	<p>Total cost relating to serving Third Party Services</p>	<p>Direct allocation by use of specific expenditure codes and cost centres.</p>	<p>Non-potable water – all in raw water distribution.</p> <p>Rechargeable works – all in treated water distribution.</p> <p>The costs of the agreement with South East Water are all allocated to Wholesale – Water Network+ - Treated Water Distribution. Costs are calculated to reflect agreed contractual assumptions of resources consumed to deliver the service.</p>

### 3.5.2 Wholesale other operating expenditure

Please see the below table for a breakdown of cost categories and values that we have included in Other operating expenditure:

Cost centre description	Total (£m)	Nature of cost
Employment costs	25.59	Employment costs within the wholesale business unit
Hired and contracted services	39.86	Costs for contractors and equipment hire
Materials and consumables	6.33	Costs for materials
General support costs and business activities	28.21	General support costs, scientific services and other business activities allocated to wholesale
Vehicles	(0.10)	Cost for vehicle leasing and maintenance. Cost is minimal this year due to impact of IFRS 16 and recognising leases on balance sheet
Telephones	0.29	Cost for mobile telephones
Streetworks	3.33	Cost of permits, fines/fees and consequential damage to highway
Water Efficiency Audit Cost	1.30	Cost of carrying out water audits on customer properties as a part of the Water Saving Program
Other Leases	0.05	Other operating leases
<b>Total</b>	<b>104.86</b>	

### 3.5.3 Power

Power costs are allocated to the Wholesale business units by directly coded cost centres. No power costs are allocated proportionally.

	Proportion of directly coded costs	Proportion of allocated costs
Power costs	100% - £22.39m	0% - £nil

Power and maintenance costs related to borehole pumping are allocated to the business units based on pumping head. For high lift pumping, all power and maintenance costs are allocated to Wholesale – Water Network+ - Treated Water Distribution.

### 3.5.4 Other operating expenditure (excluding renewals)

Other operating expenditure (excluding renewals) consists of a number of cost codes, some costed directly to price control units and others proportionally allocated. The total costs and percentage split of the directly coded and allocated costs are shown below:

	Proportion of directly coded costs	Proportion of allocated costs
Other operating expenditure	70% - £73.06m	30% - £31.80m

### 3.5.5 Unit cost information

In table 4D we are required to submit volumes (megalitres 'ML') for each wholesale business unit.

- For Water Resources – Abstraction Licences we have used licences for water (ML) available to us. This gives a unit cost of £10.21/ML (2019: £11.56/ML); which has decreased by 12% primarily due to lower abstraction charges in the year and lower bulk supply costs in relation to this wholesale business unit.
- For Water Resources – Raw Water Abstracted we have used volume of water (ML) abstracted. This gives a unit cost of £31.80/ML (2019: £30.67/ML) which has increased by 4% primarily due to increased capital expenditure in the year, partially offset by atypical costs of a one-off reorganisation and costs associated with the substitution of our Cayman Islands financing entity with a UK entity in the prior year.
- For Raw Water Distributed – Raw Water Transported we have used volume of water transported. This gives a unit cost of £43.58/ML (2019: £48.10/ML); which has decreased by 9% primarily due to lower other operating expenditure excluding renewals in relation to this wholesale business unit, as a result of a lower operational jobs completed in the year relating to raw water transportation.
- For Raw Water Distributed – Raw Water Storage we have 98.314 ML of water in storage, giving a unit cost of £10,273.21/ML (2019: £nil). The unit cost appears high as we have

dormant assets (reservoirs), which need to be maintained due to the requirement from various regulatory bodies and therefore have assets with no water stored in them.

- For Water Treatment we use distributed input water volumes (ML). This gives a unit cost of £79.95/ML (2019: £79.08/ML); which has increased by 1% primarily due to a credit recognised in the prior year relating to imports of bulk water from Grafham reservoir and higher other operating expenditure excluding renewals in the current year due to increased hired and contractor costs following increased job numbers at a higher unit cost.
- For Treated Water Distribution we use distributed input water volumes (ML). This gives a unit cost of £371.483.5.2/ML (2019: £356.93/ML) which has increased by 4% due to an increase in other operating expenditure caused by increased hired and contractor costs following increased job numbers at a higher unit cost.

### 3.6 Operating cost analysis for the retail business

The retail costs include direct allocation of cost centres within our customer service department and specific transfers of cost, which are accounted for in our wholesale business to comply with RAG 2.07.

An apportionment of General and Support, Local Authority and Cumulo Rates and Other Business Activity (Regulation) costs are allocated to retail based on the allocation discussed in section 3.4.

Owat requires the cost within retail to be split further into household and non-household, then household split into unmeasured and measured. There are no costs remaining in the non-household retail business, see the detail in the next section.

#### 3.6.1 Allocation to cost driver between household and non-household

Following the opening of the non-household retail market from 1 April 2017 onwards, the company exited the non-household retail market. Up until 31 March 2020, the company offered a support service, as detailed in section 3.2. New cost centre codes were set up to allow for non-household support services to be recorded and accurately recharged at cost. These are treated as non-appointed costs and income, with no allocation of costs performed. AWL does not incur any other non-household retail costs

#### 3.6.2 Retail other operating expenditure

The table below provides a breakdown of cost categories and values that we have included in Other operating expenditure.

Cost centre description	Total (£m)	Nature of cost
Demand side water-efficiency initiatives	0.46	Retail element of encouraging efficient water use by customers
Customer side leaks	1.31	Retail element of cost to investigate customer leaks
General and support and other	4.82	General support costs and other business activities allocated

Cost centre description	Total (£m)	Nature of cost
business activities		to retail
Local authority rates	0.14	Local authority taxes
Customer Services Management	1.20	Employment cost of Customer Services Management team
Customer Experience Planning	0.78	Employment costs of delivering Customer Services systems enhancements and upgrade, coaching team, and resource & planning team
Voice of the Customer	0.52	Employment costs for administering customer feedback systems
Other direct costs	0.67	Aggregated other direct costs
<b>Total</b>	<b>9.90</b>	

### 3.6.3 Allocation to cost driver between household unmeasured and measured

To allocate the split between measured and unmeasured costs, cost centres have been used where possible and the remaining costs have been allocated using various assumptions detailed in this section.

The table below shows how costs are allocated to each line in table 4F between household unmeasured and measured.

Table line	Activity / cost type	Cost driver	Rationale for cost driver
Customer Services	Billing	Number of household unmeasured and measured bills raised.	The cost for billing activity is directly linked to the number of bills raised. The number of bills is based on assumptions of the annual billing cycles for unmeasured and measured customers.
Customer Services	Payment handling, remittance and cash	Number of household unmeasured and measured receipts.	Costs for payment handling is assumed to be directly linked to type of receipt processed.
Customer Services	Charitable trust donations	Number of household unmeasured and measured customers.	We have no cost in 2019/20.

Table line	Activity / cost type	Cost driver	Rationale for cost driver
Customer Services	Vulnerable customer schemes	Number of household unmeasured and measured customers on our Low Income Tariff ('LIFT').	Cost of dealing with vulnerable customers can be linked to our larger vulnerable customers who are on the LIFT tariff.
Customer Services	Non-network customer queries and complaints	Volume of contact based on all non-network enquires and complaints by household unmeasured and measured customers.	Costs vary in proportion to the number of contacts made by customer type.
Customer Services	Network customer queries and complaints	Volume of contact based on all network enquires and complaints by household unmeasured and measured customers.	Costs vary in proportion to the number of contacts made by customer type.
Customer Services	Investigatory visits / first visits to the customer	Volume of contact based on all enquires and complaints by household unmeasured and measured customers.	Costs vary in proportion to the number of contacts made by customer type.
Debt Management	Debt Management	Debt outstanding for more than 30 days by household unmeasured and measured customers.	Costs assumed to vary with the proportion of debt outstanding for more than 30 days for each customer type.
Doubtful Debts	Doubtful Debts	Actual write-offs and movement in provision based on customer type.	The charge for the year is split based on actual write-offs and movement in the bad debt provision which we have split between household unmeasured and measured customers.
Meter Reading	Meter Reading	All household measured.	Actual charge is wholly attributable to household measured customers only.
Other Operating Expenditure	Demand Side Water Efficiency Initiatives	Number of household unmeasured and	We are unable to allocate directly therefore it has been

Table line	Activity / cost type	Cost driver	Rationale for cost driver
	Customer Side Leaks Other Direct Costs Executive and non-executive director remuneration General & Support Other Business Activities	measured customers.	assumed that costs vary with customer numbers.
Local Authority and Cumulo Rates	Cumulo Rates Head Office Building Rates	Number of household unmeasured and measured customers.	We are unable to allocate directly therefore it has been assumed that costs vary with customer numbers.

## 4 Capital expenditure

### 4.1 Key principles

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Expenditure is recorded at a project level with each project being individually and specifically allocated to the relevant accounting separation category. Capital projects go through a formal approval process, as follows:

- project managers submit project authorisation documents ('PADs') outlining the operating and capital expenditure, and including detail on the regulatory accounting category;
- programme Boards discuss and review the project;
- finance team analysts scrutinise PADs and assess whether operating costs and capital expenditure have been allocated correctly in accordance with relevant statutory and regulatory accounting guidelines. In the event that they disagree with the proposed accounting treatment, the project manager is advised accordingly; and
- the Investment Committee, which consists of the Chief Executive Officer, Chief Financial Officer, Director of Asset Strategy & Capital, Head of Enterprise PMO, Head of Finance, Chief Information Officer and the Director of Production and Supply initiate programmes identified in regulatory business plans (through the approval of PADs).

A download of the capital programme is reviewed at the year-end by the asset strategy team and finance team analysts to identify any expenditure which may have been coded incorrectly at source so this can be corrected.

Where more than one business unit utilises an asset, it is allocated on the basis of principal use in accordance with guidelines set out in RAG 2.07. A cross charge is then made to the other business units. This is discussed in more detail in the paragraph headed "Recharges between price control units" at the end of this section.

As a consequence, when completing table 4D (and subsequently tables 2B and 4J, which are derived from 4D) we have followed the process as detailed in the section "Recharges between price control units" further on in this document.

Maintaining the long term capability of the assets – infra: Infrastructure Renewals Expenditure ('IRE') is allocated based on principal use. In the case of IRE, it is allocated to Treated Water Distribution given the nature of the projects.

Expenditure is also allocated across the following categories based on the assignment of the individual project.

- (i) Maintaining the long term capability of the assets – non infra.
- (ii) Other Capital Expenditure Infra.
- (iii) Other Capital Expenditure – non infra.
- (iv) Infrastructure network reinforcement.



## Exceptions

There are a number of projects that are set up to collect costs of a “general” nature such as overhead support costs etc. These are exceptions to the principal use approach as no single business unit has principal use.

These are therefore allocated “pro-rata” across the different business units based on the totals of directly allocated expenditure.

## Third party services

We own assets that are utilised in providing water to our third party customer, South East Water. This expenditure is allocated across the categories in exactly the same way as our investments in other assets.

## Grants and contributions

Grants and contributions are generally only received in relation to Wholesale – Network+ - Treated Water Distribution. Receipts are analysed for any exceptions to this rule. Grants and contributions for new connection charges, infrastructure charge receipts, diversions and other contributions are coded directly to distinct TB codes.

The treatment of contributions with respect to High Speed 2 (‘HS2’), which are allocated between Water Resources – Raw Water Abstraction and Network+ - Treated Water Distribution, is detailed at the end of this section.

## Infrastructure network reinforcement costs and infrastructure charges reconciliation

The total of these costs (as presented in table 2J) is brought into the infrastructure charges reconciliation (table 2K) in line with RAG 4.08. Ofwat requires companies to balance their revenues from infrastructure charges with the costs they are intending to recover over a five-year cumulative period as far as is reasonably possible. In line with RAG 4.08, the variance brought forward for this infrastructure charges reconciliation in the prior year was assumed to be £nil, with a £(76k) variance carried forward into 2019/20. A variance of £136k has been carried forward into 2020/21.

We have not identified any discounts applied to infrastructure charges received during the year that would require presentation in table 2K. Our policy is to apply a discount if the new connection was a reconnection and had been disconnected within the past five years.

## Fixed asset register

We maintain our fixed asset register in our Oracle accounting system. Each fixed asset is detailed by its asset number, useful life, depreciate start date and the cost of the asset. The asset register then details the major category, sub category and analysis codes to allow the register to be analysed and allocated to the price control units. This is based on project numbers allocated to each asset on project commencement identifying the nature of the asset. This also applies to Work in Progress assets.

The fixed assets and depreciation charges are calculated for each price control unit in line with the International Financial Reporting Standards basis of accounting, with the exception of table 4G that is based on current cost accounting.

The allocation of fixed assets to each price control unit in the fixed asset register enables the business to directly populate the wholesale totex reported in tables 2A and 2B.

The business has third party assets for bulk water supply. These have been identified in the fixed asset register and the depreciation for these assets is disclosed separately in table 2D. Given the nature of the third party assets and their principal use, these assets and the corresponding depreciation have been allocated to Water Network+.

### Analysis of fixed assets movements

The following tables show and explain the major variances between the movement in fixed assets for each price control, based on historic cost.

Water Resources	2019/20 £m	2018/19 £m	Variance £m	Variance %
Additions	50.382	13.595	36.787	271%
Disposals	-	-	-	-
Depreciation	(0.319)	(1.673)	1.354	81%
<b>Total movement</b>	<b>50.063</b>	<b>11.922</b>	<b>38.141</b>	<b>320%</b>

Water Resources additions continue to rise due to the construction of assets by the company under the HS2 programme. Depreciation has reduced year on year mainly due to an amount relating to the HS2 mains programme that last year was attributed to Water Resources being reassigned to Water Network+.

Water Network+	2019/20 £m	2018/19 £m	Variance £m	Variance %
Additions	75.500	90.328	(14.828)	(16%)
Disposals	(1.283)	(1.714)	0.431	25%
Depreciation	(66.919)	(56.543)	(10.376)	(18%)
<b>Total movement</b>	<b>7.298</b>	<b>32.071</b>	<b>(24.773)</b>	<b>(77%)</b>

Water Network+ additions have decreased largely due to reduced spend on the HS2 Network programme relating to these assets, as the work has been focused on Water Resource assets in the year. There was also significantly lower spend on both Trunk Mains and Treatment Investment (Clay Lane Membranes) in the current year. Water Network+ depreciation has increased primarily due to completed work on the Water Saving Programme that is now depreciating.

Retail household	2019/20 £m	2018/19 £m	Variance £m	Variance %
Additions	0.076	0.212	(0.136)	(64%)
Disposals	-	-	-	-
Depreciation	(0.012)	(0.015)	0.003	20%
<b>Total movement</b>	<b>0.064</b>	<b>0.197</b>	<b>(0.133)</b>	<b>(68%)</b>

Retail household additions have decreased by £0.1m due to an aggregate reduction of expenditure on low value items.

## Recharges between price control units

Where more than one business unit utilises an asset, it is allocated on the basis of principal use in accordance with guidelines set out in RAG 2.07. This includes right-of-use assets that have been capitalised under IFRS 16. A cross charge is then made to the other business units to account for the depreciation of the asset. The recharges for all assets, including right-of-use assets are calculated by apportioning the relevant costs based on FTE head count.

The methodology of calculating recharges has not changed from prior year.

Recharges	2019/20 £m	2018/19 £m	Variance £m	Variance %
From Water Network+ to Retail Household	0.899	0.732	0.167	23%
From Water Network+ to Water Resources	0.202	0.127	0.075	59%

The recharges made from Wholesale Network+ to Retail Household for the shared use of fixed assets principally used by Wholesale Network+ has increased during the year. This is primarily due to the adoption of IFRS 16 as operating leases are now capitalised and allocated to the price controls on a principal use basis. These operating leases are then recharged to the other business units. The assets capitalised under IFRS 16 and recharged are our leases for property, data centre lease and vehicles which would have previously been included within operating costs.

## Boundary allocations

Assets are allocated to each price control based on the requirements of RAG 4.08 and identified as such in the fixed asset register.

For historical assets and capital expenditure associated with normal borehole pumping, the capital expenditure is allocated in full to water resources based principal use. For high lift pumping, all capital expenditure is allocated to distribution.

## Current Cost Accounting and Depreciation ('CCA' and 'CCD')

The current cost of the Infrastructure Renewals Charge ('IRC') has been based on a forecast 60% of the total infrastructure renewals expenditure. This is deemed a more accurate estimate of the IRC than the methodology detailed in RAG 1.08, which outlined that the IRC charge should be based on the estimated split between IRE and IRC as per the PR14 business plan.

Table 4G uses the CCD figure brought forward from the previous year's regulatory accounts, amended by RPI and CCD on new wholesale additions to calculate the new CCD figure.

## Other tables

When completing table 2A, the segmental income statement, we have again used principal use as the basis of calculating depreciation and then have recharged between the business units.

When completing table 2C, the operating cost analysis – retail, we have recognised that the principal use of our retail investments has been within the household business following AWL's exit from the non-household retail market on 1 April 2017; therefore, all retail depreciation is shown as household. Furthermore, when completing table 4F (operating cost analysis – household retail), we have used the proportion of unmeasured and measured customers to split both the capital expenditure and depreciation.

Table 2D (Historic cost analysis of fixed assets – wholesale & retail) shows brought forward figures based on principal use. No assets are therefore allocated to the non-household column as no assets were principally used by this business unit in previous years.

Table 4D shows expenditure by category and business unit. A complete listing of all expenditure on capital projects is downloaded from Oracle complete with the appropriate business unit and capital expenditure category (infrastructure / non-infrastructure, enhancement / maintenance or network reinforcement) as identified by the project manager upon set up. Expenditure at Egham for the benefit of South East Water is identified and allocated to the third party services line.

In addition to capital projects, leased assets are similarly added to the table. These are our head office building in Hatfield, vehicles and our IT data centre. All totals are checked against the relevant fixed asset notes in the statutory accounts

These details are then checked and reviewed by the finance team against the provisions of RAG4.08 with the assistance of project managers and experts within AWL. Items that are not for a specific business unit (typically IT) are apportioned on a pro-rata basis.

Table 4L details enhancement capital expenditure by purpose. Capital expenditure is accounted by project, each which has an individual project number, coded by expenditure purpose. The data set used for 4D is also used for 4L and the table is compiled by the finance team. Projects are directly allocated to the relevant headings in the table with any non-specific projects (typically IT) being allocated on a pro-rata basis. The expenditure in report year total ties back to the total of enhancement expenditure in Table 4D.

Expenditure on schemes completed in the report year is calculated using the depreciation start dates on the fixed asset register as the completion dates of the project. The coding by purpose is driven by the coding per the download. This then provides cumulative expenditure on schemes completed in the year.

Table 4V splits depreciation across the Water Resource price control. These costs have been split across Impounding Reservoir, Pumped Storage, River Abstractions, Groundwater excluding managed aquifer recharge ('MAR') water supply schemes, Artificial Recharge ('AR') water supply schemes and Aquifer Storage and Recovery ('ASR') water supply schemes on a proportional basis, using the proportion of distribution input derived from each of the Water Resource areas.

## 4.2 HS2

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The expenditure towards HS2 is directly coded and distinguished from other capital items. There are separate project codes for HS2 Water Resources – Raw Water Abstraction and Network+ - Treated Water Distribution expenditure. Related contributions received during the year are analysed between Water Resources – Raw Water Abstraction and Network+ - Treated Water Distribution using a breakdown of contributions by work order from the company's HS2 programme team, which are allocated to either Network+ or Water Resources. Both the expenditure incurred and the contributions received during the year are included within the APR tables.

## 4.3 Cash expenditure

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In table 4D we distributed the pension deficit recovery payment using the apportionment of how the International Accounting Standard ('IAS') 19 pension service cost is allocated across cost centres within the wholesale business units.

We have used the other cash items line in table 4D to true up and convert the IAS 19 pension service cost into total cash contribution (ongoing plus deficit recovery payment). This is because our operating cost uses IAS 19 pension service cost estimates and we populate our cost based on accruals expenditure, not on a cash basis. Therefore, we use other cash items to convert to total cash contribution. We distributed this amount using the apportionment of how the IAS 19 pension service cost is allocated across cost centres within the wholesale business units.

## 5 Billing and collection

### 5.1 Outsourced activities

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Affinity Water does not outsource any of its billing and collection where the risk of collection is transferred to a third party.

Affinity Water has outsourced the following elements:

- Customer Services back office correspondence workload (primarily home movers) to Steria Limited based in India.
- In parallel with in-house early collection activity, we use a UK-based collection agency, Credit Link Account Recovery Solutions Limited ('CARS'), to provide outbound dialler services.
- After initial debt recovery action has taken place, we use a combination of the following UK-based debt collections agencies to provide a combination of letter, digital and telephony techniques to recover customer debt:
  - Orbit Services – first and second placement, as well as field visits;
  - The Zinc Group – first and second placement;
  - CARS – first and second placement, and closed accounts;
  - Inter Credit – legacy first placement and a reducing stock of historically closed accounts;
  - UK Search – for trace and collect activity on closed accounts;
  - QDR Solicitors – for pre-litigation and litigation activity; and
  - Court Enforcement Services – High Court enforcement post county court judgement.
- Previously written off debt is sold on to JC International Acquisition LLC.

### 5.2 Billing in name of “The Occupier” and vacated properties

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Affinity Water classifies unoccupied bulk owner properties as ‘occupied’ if they are empty for less than 26 weeks for short-term situations such as refurbishment or change of tenancy. These properties are billed in full and then a percentage is deducted from the amount owed to recognise that some properties will have been empty. Where properties are unoccupied for more than 26 weeks, the agreement with the bulk owner provides that the Local Authority will notify the company so that the property can be formally recorded as ‘empty’ on the company’s billing system and, therefore, will not be billed.

Affinity Water no longer raises bills addressed to “The Occupier” when there is no consumption detected at the property. The company’s assumption is that these properties are not occupied. The company makes further enquiries and when the company receives information that the property has become occupied the status of the account is amended, the customer’s name applied to the account and billing commences.

In each of the above cases, if a bill is sent, Affinity Water will recognise it within revenue in the regulatory accounts.

All new properties are metered. Charges accrue from the date at which the meter is installed. The developer is billed between the date of connection and first occupancy and this is recognised as revenue. If the developer is no longer responsible for the property and no new

occupier has been identified the property management process referred to above is followed to identify the new occupier. Until the new occupier has been identified the property is treated as unoccupied and is not billed.

### 5.3 Bad debt provisioning

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At each reporting date, the company evaluates the collectability of trade receivables and records a provision for impairment based on experience. The provision for impairment is charged to operating costs to reflect the company's assessment of the risk of non-recovery of trade receivables. The provision for impairment is calculated by applying a range of different percentages to trade receivables of different ages. These percentages also vary between categories of receivable. Higher percentages are applied to those categories of receivable which are considered to be of greater risk and also to trade receivables of greater age. The value of the provision for impairment is sensitive to the specific percentages applied. The specific percentages applied are updated annually to reflect the latest collection performance data from the company's billing system. All trade receivables greater than five years old are fully provided for. Actual amounts recovered may differ from the estimated levels of recovery which could impact on operating results.

Our policy is to write-off closed and live accounts that fall under the following categories: bankruptcy, liquidation, debt relief orders, deceased accounts where there is no estate, failed legal action and debts from customers who have moved out of the property with no forwarding address or are no longer responsible for payment of a water bill.

Accounts are written off following all internal recovery activity and subsequent external debt collection agency activity, except as follows:

- Closed accounts under £15 are written off without any internal recovery activity.
- Closed accounts under the name of "The Occupier" are written off without any internal recovery action.
- Closed accounts under £50 are written off following all internal recovery activity where we have a forwarding address for the customer.
- Closed accounts under £100 are written off following all internal recovery activity where we have no forwarding address for the customer.

Amounts are also written off on accounts where we are still supplying the customer and where all reasonable internal and external debt collection activities have been undertaken. Under these circumstances if the total debt contains amounts over six years old, the amount over six years old, or more, is written off.

Affinity Water adopted International Financial Reporting Standard 9: 'Financial instruments' ('IFRS 9') for the current and prior reporting period and management has concluded that, the procedure currently in place to assess the impairment of trade receivables detailed above is deemed sufficient under the IFRS 9 expected credit loss model; historical recoverability of trade receivables has shown to be a good indicator of future expected losses, both in the next 12 months and across the lifetime of the instrument under normal economic circumstances. In the current year, management has considered the impact of the national health pandemic when calculating the bad debt provision and has provided for an additional £1.7m of doubtful debts as a result of the increased risk in this area.

## 6 Revenue, other operating income and other income

### 6.1 Key principles

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As per Ofwat guidelines (RAG 4.08) income is categorised as follows:

1. Appointed revenue and other operating income included in price control
  - Wholesale
  - Retail Household
2. Third party revenue – non-price control
3. Non-appointed revenue
4. Other income

### 6.2 Approach taken

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#### 6.2.1 Appointed revenue and other operating income included in the price control

This includes wholesale and retail tariff income from water.

Our Hi-Affinity billing system does not allow us to view a breakdown of household revenue by wholesale and retail charges. We therefore extract the total billed value by tariff for household customers from Hi-Affinity and use the Charging Scheme 2019/20 (submitted to Ofwat) to apportion the revenue between wholesale and retail charges.

Charges for wholesale water to non-household retailers are set by the Market Operator. These are allocated in full to the wholesale price control.

#### 6.2.2 Wholesale

In accordance with the RAGs, wholesale revenue is allocated in full to Water Network+.

Other operating income is allocated between Water Resources and Water Network+ using the following methodology:

- Profits or losses on disposal of fixed assets are allocated to price control units based on the principal use of the asset disposed of.
- Income earned from laboratory sampling services is allocated between Water Resources and Water Network+ on a consistent basis to the allocation of costs associated with the service.

#### 6.2.3 Third party revenue – non-price control

This includes bulk supplies and rechargeable work. This is directly allocated to wholesale appointed revenue.



## **6.2.4 Non-appointed revenue**

This includes sewerage billing and cash collection, recharges for support services, infrastructure commission and unregulated income (value added services). This is directly allocated to non-appointed revenue.

## **6.2.5 Other income**

This includes connection charges income, income from providing developer information and administration of new connections, amortisation associated with deferred grants and contributions, rental and sundry income. This is directly allocated to wholesale other income, as disclosed in table 4G except for income from providing developer information and administration of new connections, which relates to retail appointed activities and therefore has been excluded from wholesale other income in line with RAG 4.08.

## 7 Assurance

Following the publication of the 2018 Company Monitoring Framework assessment report, the company undertakes a check of all formulae in workbooks to RAG 4.08 line definitions (as opposed to just where there have been changes to the RAG definitions from prior year) to minimise the risk of error. We have continued to work with our external assurance provider, PricewaterhouseCoopers LLP ('PwC'), this year to refine the scope of their assurance procedures and involve industry specialists in order to target these on areas of perceived risk.

Ofwat did have, however, minor concerns in their January 2019 Company Monitoring Framework report regarding the area of cost allocation regarding the number of cost allocations still based on management estimate. The company implemented changes in the prior year and the revised methodology has been carried forward into 2019/20.

To address Ofwat's previous concern that there was also no mention of the assurance that had been undertaken on the accounting separation methodology other than a statement that the accounting separation data can be traced back to the audited accounts through the company's accounting systems, we have set out on the following page the internal and external assurance procedures performed in relation to the information presented in this methodology statement and associated tables presented in our 2019/20 APR.

The following internal assurance procedures have been performed:

- where relevant, totals in APR tables have been reconciled to the statutory accounts along with the regulatory adjustments required by the current RAGs;
- core data for the accounting separation model has been taken from the year end TB prepared in Oracle and reconciled to the statutory accounts after taking into account the regulatory adjustments;
- cost drivers disclosed in this methodology statement have been compared to the preferred cost drivers listed in the RAGs and to those used in the accounting separation model to check application;
- data for cost drivers used in the accounting separation model supplied by contributors outside of the finance team has been reviewed for appropriateness against the requirements of the RAGs by the finance team;
- validation checks are set up within the APR tables, which were reviewed once all tables were populated;
- a structured review process has been undertaken with APR tables and this methodology statement reviewed by the Senior Regulatory Economist, Program Director for Business Planning and Comms, Financial Controller, Chief Financial Officer and the Audit Committee; and
- this methodology statement has also been presented to the Audit Committee to aid their review of the APR.

The following external assurance procedures have been performed:

- an external audit by PwC of tables 1A, 1B, 1C, 1D, 1E, 1F, 2A, 2B, 2C, 2D, 2E, 2F, 2G, 2I and 2J has been performed (refer to the independent auditor's report in our APR);
- an external review by Atkins of the procedures used to collect and report the information in tables 4D (capital expenditure information only) and 4L has been performed (refer to the statement of risk and compliance in our APR);
- agreed upon procedures have been performed by our external auditor, PwC, over tables 4B, 4C, 4D, 4F, 4G, 4H, 4J, 4L and 4V, including checking application of the guidance in the RAGs, reviewing the principles on which this accounting separation methodology has been

prepared against the relevant RAGs, comparing cost drivers stated within the methodology statement against the preferred cost drivers listed in the RAGs, checking application of this methodology statement, checking consistency with other tables within the APR and reviewing the calculation of current year data where numbers do not directly extract from other tables. We have considered the report provided by PwC and are satisfied with the accuracy of the data reported; and

- agreed upon procedures have been performed by PwC over the compliance with RAG 5.07. The procedures included reviewing the Corporate Services Agreement between group entities and ensuring that the recharges are in compliance with RAG 5.07, checking the consistency of the disclosures in the notes in the APR, ensuring the wholesale water charges to group entities are in line with the 'settlement report' provided by the Market Operator and ensuring the mathematical accuracy of the charges.

# Appendix

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## Cost centre allocations

### Abstraction Licences

21112	COS - Reg - Production -Small Sites
21127	COS - Reg - Production - Treatment - General - E
21142	COS - Reg - Production - Karstic Sites
21152	COS - Reg - Production - Surface Works Maintenance
21161	COS - Reg - Production - Control
21191	COS - Reg - Production - Energy
21212	COS - Reg - Community Operations - Operational Contact Centre - Gen.- SEast
21301	COS - Reg - Asset Management - General

### Raw Water Abstraction

21100	COS - REG - PRODUCTION & SUPPLY
21112	COS - Reg - Production -Small Sites
21113	COS - Reg - Production
21115	Wholesale Operations Commercial (Team)
21117	COS - REG – Production Misbourne
21121	Wholesale Operations Commercial (Team)
21122	Wholesale Operations Commercial (Team)
21123	COS - Reg - Production - Estates
21125	Wholesale Operations Aerial Sites
21126	Wholesale Operations Catchment and Treatment
21127	COS - Reg - Production - Treatment - General - E
21129	COS - Reg - Production - Stort
21132	COS - Reg - Production - Technical Services
21133	COS - Reg - Production - Supply - General - Eas
21135	COS - Reg - Production - Supply - General - SEa
21142	COS - Reg - Production - Karstic Sites
21147	COS - REG – Production Iver
21152	COS - Reg - Production - Surface Works Maintenance
21152	COS - Reg - Production - Surface Works Maintenanc
21161	COS - Reg - Production - Control
21171	COS - Reg - Production - Engineering Support
21172	COS - REG – Production Planning
21173	COS - REG – Production ICA
21181	COS - Reg - Production - Supply Management
21191	COS - Reg - Production - Energy
21195	COS - Reg - Asset Delivery
21196	COS - Reg - CIAM Asset Delivery
21212	COS - Reg - Community Operations - Operational C
21221	Mains Renewals & Trunk Mains
21225	COS - Reg - Network - Maintenance - General - East
21232	Construction Assurance
21243	COS - Reg - Community Operations - Network - Str
21301	COS - Reg - Asset Management - General

21303 COS - Reg - Asset Management - General - East  
 21304 COS - REG – Asset Management- Non-Infrastructur  
 21305 COS - REG – Asset Management- Infrastructure St  
 21306 COS - REG – Asset Management- Business Intellig  
 22100 COS - OUTSOURCING - OPERATION OF ASSETS  
 22200 COS - OUTSOURCING - ASSET WORKS  
 23103 COS - Administrative - FI. Computer Consumables

#### Raw Water Treatment

21112 COS - Reg - Production -Small Sites  
 21113 COS - Reg - Production  
 21117 COS - REG – Production Misbourne  
 21123 COS - Reg - Production - Estates  
 21125 Wholesale Operations Aerial Sites  
 21127 COS - Reg - Production - Treatment - General - East  
 21129 COS - Reg - Production - Stort  
 21132 COS - Reg - Production - Technical Services  
 21133 COS - Reg - Production - Supply - General - Eas  
 21135 COS - Reg - Production - Supply - General - SEa  
 21142 COS - Reg - Production - Karstic Sites  
 21147 COS - REG – Production Iver  
 21152 COS - Reg - Production - Surface Works Maintenanc  
 21161 COS - Reg - Production - Control  
 21171 COS - Reg - Production - Engineering Support  
 21172 COS - REG – Production Planning  
 21173 COS - REG – Production ICA  
 21181 COS - Reg - Production - Supply Management  
 21191 COS - Reg - Production - Energy  
 21195 COS - Reg - Asset Delivery  
 21211 COS - Reg - Network - Operational Contact Centre  
 21212 COS - Reg - Community Operations - Operational C  
 21213 COS - Reg - Community Operations - Operational Contact Centre - Gen.- East  
 21214 COS - REG – OSD.Basic Salary  
 21217 COS - Reg - WSP Wholesale  
 21218 REG - Lead Replacem  
 21223 COS - Reg - Network - Maintenance - General - SEast  
 21225 COS - Reg - Network - Maintenance - General - East  
 21226 COS - Reg - Network - Leakage - East  
 21231 COS - Reg - Network - Support Functions - General  
 21241 COS - Reg - Community Operations - Network - Management & Contracts  
 21242 COS - Reg - Community Operations - Network - Dir  
 21243 COS - Reg - Community Operations - Network - Streetworks  
 21244 COS - Reg - Community Operations - Network - Fixed Overhead Recharge - Finance  
 21245 COS - Reg - Community Operations - Adhocs  
 21246 COS Reg – Community Operations – Stores  
 21247 COS Reg - Network DLO

21251 COS - Reg - Community Operations - Asset Management - Leakage Support  
 21252 COS - Reg - Community Operations - Asset Management - Leakage Operations  
 21253 COS - Reg - Community Operations - Asset Management - Network Support  
 21254 COS - Reg - Community Operations - South Rechargeables  
 21302 COS - Reg - Asset Management - General - SEast  
 21303 COS - Reg - Asset Management - General - East  
 21421 COS - Reg - Customer - Meter Reading  
 21457 COS - REG - Customer Relations - Meter Installat  
 21471 COS - REG - Community Operations - South Custome  
 21474 COS - Reg - Community Operations - South Rechargeables  
 21475 COS - Reg - Community Operations - Contractor Re  
 21476 Community Operations – New Connections  
 40961 G&A EXPENSES - Community Operations - Direct Labour Force Recharges

#### Raw Water Storage

21112 COS - Reg - Production -Small Sites  
 21113 COS - Reg - Production  
 21117 COS - REG – Production Misbourne  
 21123 COS - Reg - Production - Estates  
 21125 Wholesale Operations Aerial Sites  
 21127 COS - Reg - Production - Treatment - General - East  
 21129 COS - Reg - Production - Stort  
 21132 COS - Reg - Production - Technical Services  
 21133 COS - Reg - Production - Supply - General - Eas  
 21135 COS - Reg - Production - Supply - General - SEa  
 21142 COS - Reg - Production - Karstic Sites  
 21147 COS - REG – Production Iver  
 21152 COS - Reg - Production - Surface Works Maintenance  
 21161 COS - Reg - Production - Control  
 21171 COS - Reg - Production - Engineering Support  
 21172 COS - REG – Production Planning  
 21173 COS - REG – Production ICA  
 21181 COS - Reg - Production - Supply Management  
 21212 COS - Reg - Community Operations - Operational Contact Centre - Gen.- SEast  
 21243 COS - Reg - Community Operations - Network - Str  
 21303 COS - Reg - Asset Management - General - East

#### Water Treatment

21100 COS - REG - PRODUCTION & SUPPLY  
 21112 COS - Reg - Production -Small Sites  
 21113 COS - Reg - Production  
 21115 Wholesale Operations Commercial (Team)  
 21117 COS - REG – Production Misbourne  
 21121 Wholesale Operations Commercial (Team)  
 21122 Wholesale Operations Commercial (Team)

21123 COS - Reg - Production - Estates  
 21125 Wholesale Operations Aerial Sites  
 21126 Wholesale Operations Catchment and Treatment  
 21127 COS - Reg - Production - Treatment - General - East  
 21129 COS - Reg - Production - Stort  
 21132 COS - Reg - Production - Technical Services  
 21133 COS - Reg - Production - Supply - General - Eas  
 21135 COS - Reg - Production - Supply - General - SEa  
 21142 COS - Reg - Production - Karstic Sites  
 21147 COS - REG – Production Iver  
 21152 COS - Reg - Production - Surface Works Maintenance  
 21161 COS - Reg - Production - Control  
 21171 COS - Reg - Production - Engineering Support  
 21172 COS - REG – Production Planning  
 21173 COS - REG – Production ICA  
 21181 COS - Reg - Production - Supply Management  
 21191 COS - Reg - Production - Energy  
 21195 COS - Reg - Asset Delivery  
 21196 COS - Reg - CIAM Asset Delivery  
 21212 COS - Reg - Community Operations - Operational Contact Centre - Gen.- SEast  
 21221 Mains Renewals & Trunk Mains  
 21225 COS - Reg - Network - Maintenance - General - Ea  
 21232 Construction Assurance  
 21232 Construction Assurance  
 21241 COS - Reg - Community Operations - Network - Man  
 21243 COS - Reg - Community Operations - Network - Str  
 21301 COS - Reg - Asset Management - General  
 21303 COS - Reg - Asset Management - General - East  
 21304 COS - REG – Asset Management- Non-Infrastructur  
 21305 COS - REG – Asset Management- Infrastructure St  
 21306 COS - REG – Asset Management- Business Intellig  
 21471 COS - REG - Community Operations - South Customer Operations  
 22100 COS - OUTSOURCING - OPERATION OF ASSETS  
 22200 COS - OUTSOURCING - ASSET WORKS  
 23103 COS - Administrative - FI. Computer Consumables  
 40220 G&A Expenses - Finance - General Management  
 40505 G&A Expenses - Health & Safety

#### Treated Water Distribution

21100 COS - REG - PRODUCTION & SUPPLY  
 21112 COS - Reg - Production -Small Sites  
 21113 COS - Reg - Production  
 21115 Wholesale Operations Commercial (Team)  
 21117 COS - REG – Production Misbourne  
 21121 Wholesale Operations Commercial (Team)  
 21122 Wholesale Operations Commercial (Team)



21123 COS - Reg - Production - Estates  
 21125 Wholesale Operations Aerial Sites  
 21126 Wholesale Operations Catchment and Treatment  
 21127 COS - Reg - Production - Treatment - General - E  
 21129 COS - Reg - Production - Stort  
 21132 COS - Reg - Production - Technical Services  
 21133 COS - Reg - Production - Supply - General - Eas  
 21135 COS - Reg - Production - Supply - General - SEa  
 21142 COS - Reg - Production - Karstic Sites  
 21147 COS - REG – Production Iver  
 21152 COS - Reg - Production - Surface Works Maintenance  
 21161 COS - Reg - Production - Control  
 21171 COS - Reg - Production - Engineering Support  
 21172 COS - REG – Production Planning  
 21173 COS - REG – Production ICA  
 21181 COS - Reg - Production - Supply Management  
 21191 COS - Reg - Production - Energy  
 21195 COS - Reg - Asset Delivery  
 21196 COS - Reg - CIAM Asset Delivery  
 21211 COS - Reg - Network - Operational Contact Centre  
 21212 COS - Reg - Community Operations - Operational Contact Centre - Gen.- SEast  
 21213 COS - Reg - Community Operations - Operational C  
 21214 COS - REG – OSD.Basic Salary  
 21217 COS - Reg - WSP Wholesale  
 21218 REG - Lead Replacem  
 21221 Mains Renewals & Trunk Mains  
 21222 COS - Reg - Network - Leakage  
 21223 COS - Reg - Network - Maintenance - General - SE  
 21225 COS - Reg - Network - Maintenance - General - Ea  
 21226 COS - Reg - Network - Leakage - East  
 21231 COS - Reg - Network - Support Functions - Genera  
 21232 Construction Assurance  
 21241 COS - Reg - Community Operations - Network - Man  
 21242 COS - Reg - Community Operations - Network - Dir  
 21243 COS - Reg - Community Operations - Network - Str  
 21244 COS - Reg - Community Operations - Network - Fixed Overhead Recharge - Finance  
 21245 COS - Reg - Community Operations - Adhocs  
 21246 COS Reg – Community Operations – Stores  
 21247 COS Reg - Network DLO  
 21251 COS - Reg - Community Operations - Asset Management - Leakage Support  
 21252 COS - Reg - Community Operations - Asset Management - Leakage Operations  
 21253 COS - Reg - Community Operations - Asset Management - Network Support  
 21254 COS - Reg - Community Operations - South Rechargeables  
 21301 COS - Reg - Asset Management - General  
 21302 COS - Reg - Asset Management - General - SEast  
 21303 COS - Reg - Asset Management - General - East

21304 COS - REG – Asset Management- Non-Infrastructur  
 21305 COS - REG – Asset Management- Infrastructure St  
 21306 COS - REG – Asset Management- Business Intellig  
 21421 COS - Reg - Customer - Meter Reading  
 21457 COS - REG - Customer Relations - Meter Installation  
 21471 COS - REG - Community Operations - South Customer Operations  
 21472 COS - REG - Community Operations - East Customer Operations  
 21473 COS - REG - Community Operations - West Customer Operations  
 21474 COS - Reg - Community Operations - South Rechargeables  
 21475 COS - Reg - Community Operations - Contractor Re  
 21476 Community Operations – New Connections  
 22100 COS - OUTSOURCING - OPERATION OF ASSETS  
 22200 COS - OUTSOURCING - ASSET WORKS  
 23103 COS - Administrative - FI. Computer Consumables  
 40961 G&A EXPENSES - Community Operations - Direct Labour Force Recharges

#### General and Support

21451 COS - REG - Customer Relations - Customer Relati  
 21481 COS - REG - Finance - Accounts Management  
 21482 COS - REG - Finance - General Management  
 21484 COS - REG - Finance - Rechargeables  
 21486 COS - Expenses - Finance - Corporate  
 23302 COS - Administrative - Insurance - General  
 23303 COS - Administrative - Legal, Land Sale Cost  
 23401 COS - Administrative - Procurement - General  
 23402 COS - Purchase Order Support - General  
 23504 COS - Administrative - Education Support  
 23601 COS - Administrative - IT - Commercial  
 23602 COS - Administrative - IT - Development  
 23603 COS - Administrative - IT CIO  
 23604 COS - Administrative - IT BRM  
 23605 COS - Administrative - IT Application Delivery  
 23606 COS - Administrative - IT PMO  
 23608 COS - Administrative - IT Security & Risk  
 23611 COS - Administrative - IT Infrastructure  
 23612 COS - Administrative - IT Services Management  
 23614 COS - Administrative - IT - Asset Information  
 23701 COS - Administrative - Facilities Man.  
 23702 COS - Administrative - Facilities Man. - SEast  
 23703 COS - Administrative - Facilities Man  
 23801 COS - Administrative - HR - Office Stationery & Suppl  
 23802 COS - Administrative - HR - Graduates  
 23803 COS - Administrative - HR - Recruitment  
 30101 Selling - Expenses  
 40110 G&A - Production Services  
 40201 G&A Expenses - Finance - General

40209 G&A Expenses - Finance - Corporate  
 40213 VWEL - G&A - Regulation  
 40218 G&A Expenses - Finance - Accounts Management  
 40219 G&A Expenses - Finance – Chairman  
 40220 G&A Expenses - Finance - General Management  
 40221 G&A Expenses - Finance - Group Services  
 40223 G&A Expenses - Finance - Organisational Develop  
 40224 G&A Expenses - Finance - Rebranding  
 40301 G&A Expenses - Legal, Insurance, Audit - General  
 40302 G&A Expenses - Legal  
 40304 G&A Expenses - Internal Audit  
 40401 G&A Expenses - Procurement  
 40505 G&A Expenses - Health & Safety  
 40506 G&A Expenses - Business P.Basic Salary  
 40701 G&A Expenses - Facilities Man. - General  
 40702 G&A Expenses - Facilities  
 40703 Wholesale Other Income  
 40801 G&A Expenses - HR  
 40803 G&A Expenses - HR - Training  
 40804 G&A Expenses - HR - Private Health  
 40805 G&A Expenses - Payroll  
 40806 G&A Expenses - HR - Organisational Development Change  
 40901 Corporate Affairs  
 40902 G&A Expenses - Corporate Communications  
 40911 G&A Expenses - South Rechargeables

#### Retail

13001 REV - Other Revenues  
 21351 COS - REG - AFB MAJOR CUSTOMERS  
 21352 COS - REG - AFB WATER EFFICIENCY  
 21353 COS - REG - AFB SERVICE ENABLEMENT  
 21354 COS - REG - AFB BILLING SERVICES  
 21355 COS - REG - AFB DEBT MANAGEMENT  
 21356 COS - REG - AFB OPERATIONAL CONTACT CENTRE  
 21357 COS - REG - AFB METER READING  
 21358 COS - REG - AFB BILLING CONTACT CENTRE  
 21361 COS - REG - AFB MANAGEMENT  
 21362 COS - REG - AFB MARKETING & COMMS.  
 21366 COS - REG - AFB RETAIL SERVICE DESK  
 21400 COS - REG - CUSTOMER EXPERIENCE  
 21400 COS - REG - CUSTOMER EXPERIENCE  
 21410 COS - REG - CUSTOMER - CONTACT CENTRE  
 21411 COS - Reg - Customer - Contact Centre - General  
 21420 COS - REG - CUSTOMER - READING, BILLING, COLLECT  
 21422 COS - Reg - Customer - Debt Collection  
 21423 COS - REG – CR Meter Reading Retail

21426 VWEL - COS - Debt Collection Dpt.  
21431 COS - Reg - Customer Relations - Income Services  
21432 COS - REG – CR Digital Customer Journey  
21435 COS - REG – CR Resource Planning  
21436 COS - REG – CR Website  
21437 COS - REG – CR QA  
21440 COS - REG - CUSTOMER - SUPPORT FUNCTIONS  
21451 COS - REG - Customer Relations - Customer Relati  
21452 COS - REG - Customer Relations - Special Care Team  
21452 COS - REG - Customer Relations - Special Care Te  
21453 COS - REG - Customer Relations - Directors Offic  
21454 COS - REG - Customer Relations - Customer Servic  
21455 COS - REG - Customer Relations - Chargeable Cont  
21456 COS - REG - Customer Relations - CE Planning  
21458 COS - REG - Customer Relations - Billing Service  
21459 Voice of the Customer  
21460 COS - REG - Customer Relations - Commercial Services Cost  
21461 COS - REG - Customer Relations - Commercial Serv  
40205 G&A Expenses - Account Processing - Customer Payments  
40224 G&A Expenses - Finance - Rebranding  
40962 G&A EXPENSES - Customer Relations - Contractor R