

4.9 Advances in Aid of Construction (AIAC) – Refundable Advance

Advances in Aid of Construction (AIAC), also known as “Customer Advances”, “Construction Advances,” or “Advances” are cash deposits received from non-investor third parties and held by UNS for contractual periods.

Often third parties request UNS to build infrastructures in certain areas. UNS enters into contractual agreements wherein UNS receives cash deposits from third parties. The deposit will be refunded to the third parties if certain criteria are met. If the third parties do not meet the criteria, the cash deposits will be kept by UNS.

For example, a developer requests UNS to construct the needed infrastructure for a new housing development. The developer expects that 30 new houses will be built and sold in the area within five years. Before the start of constructions, UNS enters into an agreement to build the new housing infrastructure, which requires a construction deposit from the homebuilder. The expectation is within 5 years the homes are constructed and using UNS utility services. If this occurs, the deposit is refunded to the builder. However, if the criteria is not met, UNS utilizes the cash deposit to recover the construction infrastructure costs.

UNS retains ownership and title to the infrastructure assets and is responsible for maintenance and operation of those assets.

4.9.1 Refund of Advances

As mentioned above, normally, during contractual periods, cash deposits will not be utilized for construction, rather held by UNS and recorded as long-term liabilities. The liabilities are reduced by third party deposit refunds.

AICA’s balances are determined based on how much revenues are/will be brought to UNS and calculated systematically based on a formula and processed mainly by the Transmission and Distribution (T&D) operation team.