

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF BUSINESS
SEPARATION AND
UNBUNDLING PLAN (BSUP)
PURSUANT TO SECTION 36
OF REPUBLIC ACT NO. 9136
AND RULE 10 OF ITS
IMPLEMENTING RULES AND
REGULATIONS,**

ERC CASE NO. 2018-001 MC

**SOUTHERN LEYTE
ELECTRIC COOPERATIVE,
INC. (SOLECO),**

Applicant.

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J O C K E T E D

Date: APR 30 2018

By: _____

ORDER

On 18 January 2018, Southern Leyte Electric Cooperative, Inc. (SOLECO) filed an *Application* seeking the Commission's approval of its Business Separation and Unbundling Plan pursuant to Section 36 of Republic Act No. 9136 and Rule 10 of its Implementing Rules and Regulations.

SOLECO alleged the following in its *Application*:

1. SOLECO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws, with principal offices at Brgy. Soro-soro, Maasin City, Southern Leyte;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the City of Maasin and the eighteen (18) municipalities of the province of Southern Leyte, namely: Anahawan, Bontoc, Hinunangan, Hinundayan, Libagon, Liloan, Macrohon, Malitbog, Padre Burgos, Pintuyan, San Francisco, San Juan, San Ricardo, Saint Bernard, Silago, Sogod, Tomas Oppus and the island municipality of Limasawa.

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LEGAL BASES FOR THE APPLICATION

3. The instant application is being filed pursuant to Section 36 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 or "EPIRA", which provides in part that *"Any electric power industry participant shall functionally and structurally unbundle its business activities and rates in accordance with the sectors as identified in Section 5 hereof. The ERC shall ensure full compliance with this provision."*
4. It is further being filed pursuant to the Honorable Commission's Resolution No. 49, Series of 2006 otherwise known as the *"Business Separation Guidelines, as Amended"* as well as Resolution No. 07, Series of 2012, Adopting the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives.

THE PROPOSED BUSINESS SEPARATION AND UNBUNDLING PLAN (BSUP)

5. In line with the requirements of the foregoing law, rules and resolutions, SOLECO is submitting herewith for the Honorable Commission's evaluation and approval, its proposed Business Separation and Unbundling Plan (BSUP) for the business separation and structural and functional unbundling of its business activities, with the end in view of separating its distribution activities into appropriate business segments and to have a clear separation of operations and accounts between its regulated and non-regulated activities.
6. The proposed BSUP is divided into six (6) sections, described in detail hereunder, as follows:

SECTION I. DETAILS OF CURRENT STRUCTURE

A. CORPORATE PROFILE

SOLECO is a non-stock, non-profit electric cooperative created and registered on 27 August 1971. It started its operation on 1 December 1976.

Its franchise area covers one city and eighteen (18) municipalities cveing the province of Southern Leyte, namely; City of Maasin, and municipalities of Anahawan, Bontoc, Hinunangan, Hinundayan, Libagon, Liloan, Macrohon, Malitbog, Padre Burgos, Pintuyan, San Francisco, San Juan, San Ricardo, Saint Bernard, Silago, Sogod, Tomas Oppus and the island municipality of Limasawa.

Status of Electrification as of December 31, 2016: The aggregated number of its customers has reached 85,795, broken own as follows: Residential: 80,526; Low Voltage - Commercial:

2,786, Public Building: 2,374, and Street Lights: 103; and High Voltage - Industrial: 6.

Financial and Statistical Report as of December 31, 2016: As of December 2016, the total demand is 18,020 kWh and the total kWh Sales aggregated to 90,195,471, broken down as follows: Residential: 60,045,979; Low Voltage: Commercial: 16,724,952, Public Building: 8,713,145, and Street Lights: 435,880; and High Voltage: Industrial: 4,275,515.

Employee Profile as of December 31, 2016: There are 155 employees for SOLECO's regulated businesses composed of 74 Technical and 81 Non-Technical personnel employees and 5 employees for its generation segment.

B. CORPORATE STRUCTURE

SOLECO's current organizational structure is briefly described as follows:

1. Office of the General Manager (OGM)

The OGM has two (2) divisions, namely: the Internal Audit Division, the Information and Communication Technology Division and the Human Resource Development Division.

2. Finance Services Department (FSD)

The FSD has four (4) divisions, namely: the Accounting Division, the Cashiering Division, the MRBC Division and the Consumers Accounts Division.

3. Institutional Services Development Department (ISDD)

The ISDD has three (3) divisions, namely: the General Services Division, the Member Services Division and the Consumers Services Division.

4. Technical Services Department (TSD)

The TSD has two (2) divisions, namely: the Meter Shop Division and the Distribution/Sub Trans Division Head.

C. DESCRIPTION OF FUNCTIONS

1. General Membership

The general functions of General Membership are summarized as follows:

- a) To vote;

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- b) To participate in the general and special meetings of members;
- c) To purchase from the Cooperative electric energy;
- d) To comply with and be bound by the Articles of Incorporation and By-Laws of the Cooperative, any rules and regulations adopted by the Board, and requirements of the National Electrification Administration; and
- e) To pay the membership fee.

2. Board of Directors

The general functions of the Board of Directors are summarized as follows:

- a) To manage the internal affairs of the Cooperative and assure the member-consumers the public relation as well as the Cooperative's relation to the Government and Public Agencies are maintained; and
- b) To formulate policies necessary for the efficient and effective operation of the Cooperative.

3. Office of the General Manager

The general functions of the OGM are summarized as follows:

- a) To plan, organize, lead and control all the activities, programs and projects of the Cooperative; and
- b) To manage the operations of the Cooperative.

(1) Internal Audit Division

The general functions of the Internal Audit Division are summarized as follows:

- (a) To safeguard the assets of the Cooperative;
- (b) To ensure that the assets of the Cooperative are utilized/used efficiently;
- (c) To review the reliability of financial and operating information of the Cooperative;
- (d) To review compliance with the policies, plans, procedures, laws, rules and regulations which could have a significant impact on Cooperative's operations;

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- (e) To review the existing procedures of safeguarding the assets and verifies the physical existence of such assets;
- (f) To review the effectiveness and efficiency of the Cooperative's internal control; and
- (g) To prepare reports and makes necessary recommendations to the management

**(2) Information and Communication
Technology Division**

The general functions of the Information and Communication Technology Division are summarized as follows:

- (a) To develop, maintain, protect and upgrade the Cooperative's information System;
- (b) To manage the work of database administrator, computer programmers, network engineers, and other computer-related works;
- (c) To plan and implement additions, deletions and major modifications to the supporting infrastructure Cooperative-wide in coordination with top management;
- (d) To manage crisis situations, which may involve complex technical hardware or software problems;
- (e) To oversee the implementation of network security at the Cooperative level;
- (f) To anticipate probable Cooperative application program and network needs and determine proactive solutions;
- (g) To be knowledgeable of latest technologies;
- (h) To ensure maximum availability of computer systems throughout the Cooperative's operation;
- (i) To manage the provision of ICT infrastructure services including desktop applications, Local and/or Wide area networks, ICT security and telecommunications;
- (j) To exercise staff oversight to ensure accurate implementation of policies, procedures, and transition/migration plans are consistent with the overall Cooperative goals and objectives; and
- (k) To manage ICT budgeting projections.

(3) Human Resource Development Division

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The general functions of the Human Resource Development Division are summarized as follows:

- (a) To plan and carry out Cooperative's policies relating to all phases of personnel activity and facilitates hiring process;
- (b) To plan and implement Cooperative's programs/trainings to enhance/promote employees capability and competency;
- (c) To review and update job descriptions to conform to the demands of the present environment, evaluates performance as basis for reward or promotions in order to uplift the morale of the employees; and
- (d) To ensure employees' compliance to Cooperative's COED and policies, labor laws and other applicable government regulations.

4. Finance Services Department

The general functions of the FSD are summarized as follows:

- a) To implement the financial operations of the Cooperative;
- b) To ensure the timeliness of billing and collection of payments from the consumers;
- c) To consolidate the annual Cooperative's budget and the Enhanced Integrated Computerized Planning Model (e-ICPM);
- d) To handle the procedures in the disbursement, collection, deposit and transfer of funds as well as to keep the records of accounts and reports of all business transactions;
- e) To ensure the sound financial management of the Cooperative and that it is operating in accordance with the annual budget approved by NEA;
- f) To update the management and the NEA on the financial condition of the Cooperative;
- g) To advise and assist the General Manager and other Department Managers (DMs) in preparing financial plans and long range forecast;
- h) To develop and recommend the financial plan for system operations and carries out the approved financial plans as directed;
- i) To establish and coordinate work order procedure;

- j) To develop and control statistical charts and graphs for analyzing business operations and projecting trends;
- k) To assist the management in making important decision by providing accurate and timely reports; and
- l) To analyze results of operation by identifying causes of variances and recommends appropriate solutions to the management.

(1) Accounting Division

- (a) To develop the procedures to be used in establishing and maintaining the accounting records and supporting data required by the management and by National Electrification Administration Systems of Accounts and ERC's ACAM;
- (b) To analyze system reports and to recommend methods of improving economy of operations;
- (c) To prepare monthly and Statistical Report, Cash Flow Statement and Financial Changes and other financial statements; and
- (d) To prepare Financial and Special Reports for the Management, Board of Directors, member/consumers.

(2) Cashiering Division

- (a) To prepare bank deposits and withdraws cash based on approved withdrawal slip;
- (b) To prepare Daily Cash Position Report (DCPR);
- (c) To pay legitimate Cooperative creditors/suppliers per approved voucher;
- (d) To maintain and control Petty Cash Fund;
- (e) To pay employees payroll;
- (f) To deposit daily collections; and
- (g) To monitor the daily cash balance to ensure liquidity in the daily operations of the Cooperative.

(3) MRBC Division

- (a) To coordinate with Consumer Account Section Division for the scheduled routes for read and bill;

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- (b) To assign daily routine schedule to Meter Reader;
- (c) To review active unbilled and new consumers before submission to the Billing Section;
- (d) To prepare quarterly and annual billings for pole rental;
- (e) To serve batch billings for corporate consumers;
- (f) To submit monthly LGU receivables to Accounting Section Division;
- (g) To submit monthly sample bills to Accounting Section Division;
- (h) To schedule disconnection of delinquent member-consumers;
- (i) To submit monthly disconnection reports to the Finance Manager; and
- (j) To conduct spot checking of meter readers.

(4) Consumers Accounts Division

- (a) To encode billing rates for all types of consumers;
- (b) To verify and confirm job orders to ensure the accuracy of consumers' data;
- (c) To check or evaluate billing procedure to ensure accurate billing;
- (d) To submit monthly sales report to Accounting Division;
- (e) To coordinate any unusual movement of consumer's consumption to concerned department;
- (f) To prepare Power bill adjustment whenever necessary; and
- (g) To ensure accurate billing of big loads customers.

5. Institutional Services Development Department

The general functions of the ISDD are summarized as follows:

- a) To facilitate activities and programs that will cater to customer satisfaction, participation and the

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development of the Cooperative's employees' well-being in order to improve productivity and efficiency;

- b) To ensure the effectiveness and success of information campaigns regarding issues concerning Cooperative's operation, annual/membership meetings, district election meetings;
- c) To properly implement the Cooperative's programs and projects on consumers' house wiring and proper use of electricity, special projects and BAPA operations; and
- d) To serve as the Cooperative's custodian of financial resources and documents.

(1) General Services Division

- (a) To develop and supervise programs on proper vehicle and equipment maintenance;
- (b) To track and update records of vehicle repairs, frequency of overhauls, insurance requirement and licensing of vehicle and maintain records of fast moving vehicle replacement parts;
- (c) To ensure proper use and control of garage equipment, tools and vehicles;
- (d) To certify road worthiness of vehicles before release;
- (e) To regulate the use of Cooperative's vehicles and attend /assist in personnel problem particularly in cases of accident involving Cooperative's vehicle;
- (f) To operate and maintain office furniture and equipment and electrical wiring installations of office buildings and other infrastructures;
- (g) To supervise the physical arrangement of all EC official activities and cleanliness of surroundings;
- (h) To monitor daily motor pool operations and prepare and keep vehicle rental contract;
- (i) To monitor the performance Security Guards and ensure that Security Agency is compliant with the standards of operation required by law and responsible for the over-all security of the Cooperative's belonging; and
- (j) To be responsible for the performance of the Purchaser.

(2) Member Services Division

- (a) To assist in the preparation of annual departmental budget;
- (b) To prepare and recommend plans and programs on training and information dissemination activities and to plan and prepare the conduct of EC activities such as AGMA, BOD district elections, Anniversaries, consumer outreach programs, special projects, etc;
- (c) To conduct networking activities with government agencies and non-government agencies in order to establish link channels thereby creating a medium of communication;
- (d) To ascertain the conduct of pre- membership seminars;
- (e) To harness and sustain established Multi-Sectoral Advisory Council (MSEAC);
- (f) To supervise the publication of the Cooperative's newsletters and printing of calendars and other information flyers and monitor and the the conduct of Information, Education and Communication Campaign for the member-consumers;
- (g) To implement all plans and programs for the development of consumers; and
- (h) To keep abreast on the development of the Electric Power Industry particularly on the governing laws such as the EPIRA (RA 9136) and the provisions of the ERC which regulates all cooperatives, the guidelines of NEA and all the other laws that govern the Distribution Utilities.

(3) Consumers Services Division

- (a) To assist in the annual budget planning preparation and other plans relative to the enhancement of service delivery;
- (b) To supervise and monitor the immediate facilitations of applications for electric connections and prompt response to complaints and requests of member-consumers;
- (c) To assist in designing programs on training and information dissemination activities for membership seminars;

- (d) To contribute write-ups in the publication of the Cooperative's newsletters, posters, policies and other leaflets;
- (e) To assist in the conduct of coop activities such as AGMA, BOD district elections, Anniversaries, consumer outreach programs, special projects, etc; and
- (f) To supervise the documentations, preparation of MOAs and facilitation of requests for line extensions (private or government), and barangay and sitio electrifications.

6. Technical Services Department

The general functions of the TSD are summarized as follows:

- a) To plan, design, construct and improve the Cooperative's distribution system;
- b) To prepare Long Term and Annual Work Plans;
- c) To coordinate with the Finance Service Department regarding the materials and equipment needed for the Cooperative's operations;
- d) To be responsible for the department's function with regards to construction, operation and maintenance of Cooperative's distribution system;
- e) To recommend training program to HRDO for the TSD employees to increase competencies in job performance and skills;
- f) To develop work procedures to facilitate the execution of the assigned tasks as economically and as efficiently as possible; and
- g) To monitor all works whether it conforms to schedules, specifications and safety standards.

(1) Meter Shop Division

- (a) To be responsible for all power system revenue metering for proper application and accuracy;
- (b) To supervise and check metering operation and to test the accuracy of meters, burden and instrument transformers and programming electronic of meters;
- (c) To supervise and check installation of current and potential transformers, checks voltages, reads and interprets charts; determines power

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factor charges, calculates and estimates bills from damage meters; monitors and investigates theft of power;

- (d) To prepare the specifications for the purchase of meters, wire, switches, etc. that are required for metering;
- (e) To be responsible for periodic calibration of meter and transformer testing equipment in conformity with ERC standard; and
- (f) To test distribution, current and potential transformer.

D. DESCRIPTION OF CURRENT PROCESSES

1. New Service Connection Process

The Permanent New Service Connection Process is performed by the Consumers Services Section through the Consumer Welfare Assistant (CWA). Any interested applicant of electricity service must attend a Pre-Membership Orientation Seminar (PMOS) which is a prerequisite to become a member-consumer of SOLECO. He is likewise directed to submit sketch plan or electrical diagram which is prepared by an authorized electrician or a Professional Electrical Engineer as the case may be and other documents as may be required. Upon inspection and approval by the Housewiring Inspector and after payment of appropriate charges/fees, the Technical Services Department shall install the service drop and kwh meters within 48 hours upon payment as per ERC/NEA standard.

Under this process, the interested applicant will request New Service Connection Form. The CWA will verify the type of connection applied by the applicant.

For permanent connection and the applicant is a member, the CW will provide for the requirement checklist. The applicant will complete the Application with Electrician Information. After the applicant has submitted the completed Application and the required documents, the CWA will encode the data to the SOLECO Database. The CWA will issue Installation per Inspection Order for the inspection of housewiring.

Once approved, the CWA will issue SOA to the teller for payment. The teller will thereafter issue the corresponding O.R. and will give the customer the SOA duplicate. After payment, the teller will forward the original SOA to the CWA, once received, the CWA will issue a Job Order to the ISD Manager for signature and approval. Once approved, the Job Order will be forwarded to the Area Engineer.

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The Area Engineer will print Requisition Voucher for meter issuance from Warehouse then the Job Order will be forwarded to the Maintenance Foreman and dispatches the meter.

The Maintenance Foreman will execute and fill up the Job Order and returns the same to EA. The EA will update the application and other important information the forwards the Job Order to CWA.

The process ends after the CWA has filed the Job Order.

2. Meter Reading and Billing Process (Read and Bill System)

The process comprises the Meter Reading, Billing and Collection Section for Residential/Low Voltage Customers and High Voltage Costumers. The meter readers are provided with meter reading and billing device to ensure accuracy of electricity consumption of EC consumers. The meter readers shall download from and upload to EC database the consumers' data on a daily basis.

a) Residential/Low Voltage Customers

Under this process, the IT must check the Personal Digital Assistant (PDA) at least once a week before the reading period starts and prepares RV for the lacking equipment, supplies and accessories. The Consumer Account Head will encode the unbundled electricity rates of the current billing month a day before reading cycle commences. Then the Consumer's Data and current rate will be downloaded at Personal Digital Assistant for batch meter reading. These data will be furnished to the Meter Reader together with the reading gadgets and supplies.

The Meter Reader will then conduct meter reading and puts remarks in case there will be questionable consumers. Thereafter, he will print and serve the Statement of Account to the consumers and uploads consumer meter reading to SOLECO's database.

Once uploaded, the Billing Head will print the list of active unbilled consumers then forward the same to the Meter Reader for remarks. The Meter Reader will prepare an accomplished list of active unbilled consumers with his remarks or reading then it will be submitted to the Billing Section for filling and ISD Clerk for the reports of meter Status.

b) High Voltage Customers

For this process, the Consumer Acct. Section Head (CASH) will prepare a reading sheet for big load consumers which will be read by the Meter Technician or Area Engineer. Once read, the reading sheet will be submitted to CASH.

The CASH will encode the reading of the big load submitted by the Meter Technician or Area Engineer and the remarks from the lists of the active unbilled consumers submitted by the Meter Reading at the Reading, Billing and Collection Database.

The Statement of Accounts will be printed then will be forwarded to MRC Head and prepares Notice of Issuance to be forwarded to the Meter Reader.

The Meter Reader will serve the Statement of Account to the consumers and indicates the disconnection date.

3. Collection, Remittance and Deposit Process

The process is performed by the Cashiering Section which belongs to the Finance Services Department. It is responsible for the cash receipts, bank deposits and disbursements transactions. It must ensure that all necessary supporting documents of all financial transactions are complete prior to its consummation such as the Collector's Daily Collection Report (CDCR), Daily Cash Position Report (DCPR), validated bank deposit slips, approved check vouchers and the like. Said documents must be verified by the Cashiering Section Head. All collections not deposited within the day of collection shall be deposited intact on the next banking day.

Under this process, the Meter Reader will inform the consumers for the mobile connection. The consumer goes to collection office/centers or designated area, in case of mobile collection. The teller or collector will then attend to the paying consumer.

If the paying consumer has no SOA, the teller will ask him his account detail, otherwise, the teller will encode the consumer's name and account numbers then collects the sum of unpaid bills and surcharges, if any, then encodes the amount paid at the SOLECO Database and prints the receipt and tender the same to the consumer.

Therafter, the teller will assign OR number and print collection list including mobile collection and issues OR and prepares Daily Collection Report.

For tellers at Sub-Office, he will prepare the deposit slips then deposits collections to the bank. If the teller is assigned at the Main Office, he will prepare the DCR and remits collections to the Cashier for deposit. In either case, the Cashier will receive the DCR and Deposit Slip for checking or

monitoring then forwards the DCRs and DCPRs with attachments to Accounting Section Head for recording or posting and filing.

4. Overseeing Member-Consumer Requests and Complaints

The Consumer Services Section thru the Complaints Welfare Assistant (CWA) attends to all consumers' requests, queries and complaints and endorses the same to the concerned department for immediate and appropriate action. This is in pursuant to Chapter II, Article 13 of the Magna Carta for Residential Consumers which is the "Right to a Prompt Investigation of Complaints; Customer Dealings stating that distribution utilities shall record and promptly investigate all complaints referred to them concerning their services."

Under this process, the CWA receives a specific complaint or request from member-consumer then will evaluate and validate the complaint or request and refers the same to the concerned Consumer Service Section Head (CSSH) and logs the complaint or request to the concerned personnel for action. The concerned personnel reports to CWA the action taken relative to the complaint/request.

The CWA will inform the member-consumer the status of his/her complaint/request and encodes the updates in the CRM System and prepares the Monthly Complaints Tracking form for regulatory purposes.

5. Disconnection Process

The Cooperative must see to it that delinquent consumer receives a Notice of Disconnection before the disconnection of electricity service. The said notice is prepared in two (2) copies. The original copy will be given to the member-consumer and the second copy will be returned to SOLECO for checking. The disconnection shall be carried out after lapse of 48 hours as provided for in the Magna Carta of Residential Consumers.

The distribution of the said notices will be performed by the contractor and payment thereof is based on a per piece basis. The contractor must return the 2nd copy of Notice of Disconnection to the Cooperative.

Under this process, the MRC Head ascertains that all manual collections are posted and online collections are replicated. The MRC Head/CWA verifies and prints notice of unpaid bills at the closing of the 10th day from the date of power bill then forwards printed notice of unpaid bills to Contractor for distribution. The Contractor will return served and not served notice of unpaid bills to the collection head.

Once returned, the MRC Head/CWA verifies or checks the notice of late issuances for late billing and late served bills then prints disconnection list of delinquent consumers for

served notices after 48 hours, then forwards disconnection list to the Contractor for execution.

After the disconnection, the Contractor returns disconnection list to the MRC Head/CWA. Once received, the MRC Head/CWA will check the list the updates the consumer account status at SOLECO Database.

6. Reconnection Process

This process shall commence upon payment/settlement of the delinquent power bills and reconnection fee and shall be undertaken by the assigned Maintenance Crew of the Technical Services Department within 24 hours in accordance with the Magna Carta for Residential Customers and DSOAR.

Under this process, the consumer requests reconnection of electric service. The CWA attends and verifies the status of consumer's accounts and kWh meter. If used for more than 2 months, the Maintenance Crew withdraws or the consumer submits the kWh meter for testing then the Meter Technician submits the meter test results to CWA. If used for less than 2 months, the teller receives the SOA and issues official receipt. In either cases, the CWA prepares Reconnection Order and/or change meter order subject to ISDM's approval.

Once approved, the CWA will forward the Reconnection Order and Change Meter Order to the Engineering Assistant and endorses to the Maintenance Crew. In case of Change Meter Order, the Engineering Assistant will prepare RV for issuance of kWh meter for change meter.

The Maintenance Crew will then execute the order and prepare a report which will be forwarded to the CWA for verification and confirmation.

7. Procurement Process – CAPEX (PhP 1 Million and above)

All CAPEX procurement costing PhP1Million and above shall undergo the bidding process. Requisitions pertaining to CAPEX should be based on the ERC-approved CAPEX Plan. Such requests are included in the Annual Cash Operating Budget. The Bids and Awards Committee (BAC) shall be responsible in the conduct of the bid in accordance with the Simplified Procurement Procedures of Republic Act No. 10531.

Under this process, once the CAPEX Plan has been approved, the TSO prepares the Bill of Materials and forwards to the TWG (Procurement Commission) for review then the Bidding will be published at a newspaper of general circulation. Thereafter, the BAC will prepare bid documents and conducts Pre-Bid Conference to all prospective buyers.

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After the Bidding, the BAC will recommend to the GM the Lowest Calculated and Responsive Bid for approval. The approved recommendation will be confirmed by the Board then BAC will prepare the Notice of Award and proceed to the signing of the Contract.

The BAC will send Notice to Proceed and the purchaser will prepare and send the approved Purchase order to the Warehouseman/TWG to acknowledge delivery or material or equipment and compliance to the Contract within a specified period then inspect the delivered items and commissioning of equipment.

However, if after inspection, the materials did not conform with the specifications, the supplier will be informed of the list of rejected materials and equipment delivered. Once notified, the Supplier must delivered new materials and equipment in compliance with the specifications. In case of failure to deliver, the BAC will forfeit the bid bond and recommends for delisting.

8. Procurement Process (Below PhP 1 Million)

Procurements costing less than PhP 1 Million shall undergo either simple or sealed canvass whichever is applicable. Requisitions of the different departments must be certified by the Finance Manager as to the availability of funds and must be approved by the General Manager. The EC must observe and implement the proper procedure in the procurement of electrical materials, supplies and equipment as provided for in the Simplified Procurement Procedures and EC policy as the case may be.

Under this process, the Requisitioning Department prepares and submits list of required supplies and materials and forwards to the Warehouseman for determination of stock availability, and to Finance Manager for fund determination and to the GM for approval.

The Requisitioning Department shall likewise prepare the Requisitioning Voucher, subject to the GM's approval, then forwards the same to the Procurement Committee to determine the mode of procurement based on NEA guidelines.

If the cost does not exceed PhP 300,000.00, the purchaser or designated canvasser will merely conduct an open canvass or direct purchase. If the cost exceeds PhP 300,000.00 but not exceeding PhP 1 Million, the designated canvasser will conduct a sealed canvass as approved by the GM, and prepares an Abstract of Canvass to be verified by the Audit and approved by the GM.

In either cases, the Purchaser will send the approved Purchase Order to the Supplier.

Once the materials has been delivered, the Warehouseman or the Stock Clerk will inspect the items delivered. If the items delivered failed to conform with the specifications, the Supplier will deliver materials that conforms to said specifications.

9. Non-CAPEX Procurement Process

All non-CAPEX procurement costing PhP1Million and above shall undergo the bidding process. Requisitions should be based on the Approved Annual Procurement Plan duly certified by the Finance Manager as to the availability of funds and included in the Annual Cash Operating Budget. The Bids and Awards Committee (BAC) shall be responsible in the conduct of the bid in accordance with the Simplified Procurement Procedures of Republic Act No. 10531.

Under this process, once the Annual Procurement Plan has been approved, the TSO prepares the Bill of Materials and forwards to the TWG (Procurement Commission) for review then the Bidding will be published at a newspaper of general circulation. Thereafter, the BAC will prepare bid documents and conducts Pre-Bid Conference to all prospective buyers.

After the Bidding, the BAC will recommend to the GM the Lowest Calculated and Responsive Bid for approval. The approved recommendation will be confirmed by the Board then BAC will prepare the Notice of Award and proceed to the signing of the Contract.

The BAC will send Notice to Proceed and the purchaser will prepare and send the approved Purchase order to the Warehouseman/TWG to acknowledge delivery or material or equipment and compliance to the Contract within a specified period then inspect the delivered items and commissioning of equipment.

However, if after inspection, the materials did not conform to specifications, the supplier will be informed of the list of rejected materials and equipment delivered. Once notified, the Supplier must deliver new materials and equipment in compliance with the specifications. In case of failure to deliver, the BAC will forfeit the bid bond and recommends for delisting.

10. kWh Meter Testing and Sealing Process

The Meter Shop Head through the Meter Technician shall ensure that the kWh meters are duly tested and sealed by the Energy Regulatory Commission (ERC). Chapter II, Article 9 of the Magna Carta for Residential Electricity Consumers, which is the "Right to an Accurate Electric Watthour Meter; Determination of Average Error, states that no meter, including instrument transformers, shall be installed or placed in service unless it has been tested, certified and sealed by the ERC". All watthour meters regardless of make

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and type before being placed in service must be adjusted to as close as possible to the condition of zero error.

All damaged kWh meters upon testing will be returned to supplier through the Warehouseman in conformity with applicable EC policy and procedure.

Under this process, the Warehouseman receives the delivered kWh meters and endorses the same to a Meter Shop Technician. The Meter Shop Technician will conduct kWh meter testing. If it passed the specification, he will seal the kWh meter, otherwise, he will turn-over the rejected kWh meter to the Warehouseman.

11. Receipt of Materials and Supplies Process and Issuance of Materials, Supplies and Equipment Process

The Warehouseman is responsible for receiving the materials delivered to the EC and safekeeping of materials, tools and equipment in an orderly manner. The Internal Audit sees to it that the materials delivered are complete as to quantity and conforms to the specifications.

Under this process, the Warehouseman will identify the nature of the supplies delivered, whether it is for Line Hardwares, Special Equipment or other materials and supplies then he will prepare a Receiving Report.

The report will be forwarded to the Accounting Assistant will all the necessary documents attached therewith then the Accounting Assistant will check and sign the report.

SECTION II. DETAILS OF BUSINESS SEGMENTS

SOLECO shall undertake the following distribution and related activities segments – Distribution Services; Distribution Connection Services; Regulated Retail Services; Related Business; Non-Regulated Retail Services; Supplier of Last Resort and Wholesale Aggregation Business Segments.

Currently, SOLECO is engaged in four (4) business segments out of the seven (7) distribution and related activities business segments provided under Section 4.4 of the Business Separation Guidelines, as amended, namely: Distribution Services Business Segment, Distribution Connection Services Business Segment, Regulated Retail Services Business Segment and Related Businesses Business Segment SOLECO shall adopt the remaining three (3) business segments in the event that the Cooperative will be engaged into such, using the same methodology on separation.

Below are the descriptions of each of the four (4) business segments SOLECO is currently engaged in, to wit:

A. Distribution Service Business Segment

This segment has the following distribution services:

- 1) The conveyance of electricity through SOLECO's Distribution System and the control and monitoring of electricity as it is conveyed through SOLECO's Distribution System (including any services that support such conveyance, control or monitoring or the safe operation of the Distribution System).
- 2) The provision of Ancillary Services (if any) that are provided using assets which form part a Distribution System
- 3) The planning, maintenance, augmentation and operation of the Distribution System.
- 4) The provision, installation, commissioning, testing, repair, maintenance and reading of WESM- related meters that are not used to measure the delivery of electricity to end-users or other customers; and
- 5) The billing, collection and the provision of customer services that are directly related to the delivery of electricity to end-users or to that relate to the connection of such persons to a Distribution System.

B. Distribution Connection Services Business Segment

This segment has the following distribution connection services:

- 1) The provision of capability at each Connection Point to SOLECO's Distribution System to deliver electricity or to take electricity from the Connection Point and the conveyance of electricity:
 - a) from the facilities of persons which are directly connected to the Distribution System
 - b) from the Connection Point to the facilities of persons which are directly connected to the Distribution System;
- 2) The planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and
- 3) Provision of other services that support any of the above services.

C. Regulated Retail Services Business Segment

This segment comprises the provision of regulated retail services, namely; services pertaining to the sale of electricity to end-users who are included in the Captive Market of SOLECO and includes:

- 1) Billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers;
- 2) Energy trading (including the purchase of electricity and hedging activities) undertaken in connection with the sale of electricity to end-users who are included in the Captive Market; and
- 3) The sale of electricity to end-users who are included on the Captive Market of SOLECO.
- 4) The provision, installation, commissioning, testing, repair, maintenance and reading of meters that are used to measure the delivery of electricity to end-users who are included on the Captive Market.

D. Related Businesses Business Segment

This segment comprises the provision of all other services, and the carrying out of all other activities that utilize distribution assets, facilities, or staff including:

- 1) Electricity related services such as the construction and maintenance of customer installations and
- 2) Non-electricity related services such as telecommunications services.

SECTION III. ACCOUNTING SEPARATION

SOLECO shall adopt the ERC-approved Accounting and Cost Allocation Manual (ACAM) in its operations. It shall likewise adopt certain policies and principles to be able to achieve an effective accounting separation, as follows:

- a. Principles to Achieve Accounting Separation
- b. Allocation Principles
- c. Chart of Accounts
- d. Requirement for Audit

SECTION IV. DESCRIPTION OF SEPARATION

SOLECO will remain as of this filing a single entity and will be unbundled through separation of employees and its assets as deemed appropriate. The separation will be through evaluation of workloads, job descriptions, qualifications and usage in the case of the fixed assets.

It will allocate its departments to its business segments. Likewise, departments with un-attributable costs, allocation

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shall be made using the appropriate allocation factors as prescribed in the ACAM.

SOLECO's BSUP presents a diagrammatic presentation of the following:

- a. General Structure Per Business Segment
- b. Detailed Structure Per Business Segment
- c. Detailed Structure Per Department
- d. Detailed Structure Per Area

SECTION V. MILESTONES AND HIGHLIGHTS

Details on SOLECO's Milestones and Highlights are documented in the BSUP.

SECTION VI. PROGRAM FOR CODE OF CONDUCT

SOLECO shall comply with ERC Resolution No. 31, Series of 2006, the Code of Conduct for Competitive Retail Market participants.

Printed as well as electronic copies of (a) SOLECO'S Process Flowchart, (b) proposed BSUP, and (c) Job Description are being submitted herewith and made integral parts hereof as **Annexes "A", "A-1" and "B" respectively.**

7. Further, SOLECO prepared an (a) Accounting Separation Statement in accordance with the Accounting, (b) Accounting Separation Statements for Generation Segment; (c) 2015 and 2016 Audited Financial Statements; and (d) 2015 and 2016 Trial Balance, for the Honorable Commission's consideration. It is being submitted herewith together with the cooperative's 2015 as restated Audited Financial Statements, and made integral parts hereof Annexes "C" to "F", respectively.
8. Finally, SOLECO is likewise submitting herewith for the Honorable Commission's consideration and approval, a set of Confidentiality Policies and Guidelines to be observed by concerned personnel of the Cooperative, together with a Board Resolution adopting certain sets of obligations imposed upon Distribution Utilities, among others, as provided under Article V of the Business Separation Guidelines (BSG), attached hereto and made integral parts hereof as Annexes "G" and "H," respectively.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that after due notice and hearing, SOLECO's proposed Business Separation and Unbundling Plan (BSUP) be approved accordingly.

Other reliefs, just and equitable in the premises are likewise prayed for.

The Commission hereby sets the instant *Application* for the determination of jurisdictional requirements, expository presentation, Pre-trial Conference and presentation of evidence on **21 May 2018 (Monday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

SOLECO is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in one (1) newspaper of nationwide circulation in the Philippines at its own expense at least once (1x), to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the Application, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the Application and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and

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- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.


SOLECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

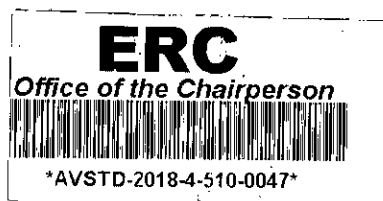
Pasig City, 10 April 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


LS:ERC/ARG/LSP/APV ord.2018-001MC solecobsup

Copy Furnished:



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4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City 1300
6. House of Representatives Committee on Energy
Batasan Hills, Quezon City 1126
7. Office of the City Mayor
Maasin City
8. Office of the Sangguniang Panglungsod
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10. Office of the Sangguniang Bayan
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12. Office of the Sangguniang Bayan
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19. Office of the Municipal Mayor
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20. Office of the Sangguniang Bayan
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45. Office of the Governor
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46. Office of the Sangguniang Panlalawigan
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47. Philippine Chamber of Commerce and Industry (PCCI)
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