

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. 2016-028 MC

**SULU ELECTRIC
COOPERATIVE, INC.
(SULECO),**
Applicant.

X ----- X

D O C K E T E D
Date: MAY 29 2018
By: [Signature]

DECISION

Before the Commission for resolution is the Application dated 07 September 2016 filed by Sulu Electric Cooperative, Inc. (SULECO) on 07 October 2016 for the approval of its Business Separation and Unbundling Plan (BSUP).

SULECO alleged the following in its *Application*:

1. Applicant is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Bus-Bus Street, Jolo, Sulu;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the municipalities of Jolo, Indanan, Luuk, Maimbung, Parang, Patikul, and Talipao, all in the province of Sulu.
3. Section 36 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 or "EPIRA", 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*

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in Section 5 hereof. The ERC shall ensure full compliance with this provision”;

4. Pursuant to the said mandate of the EPIRA as well as Rule 10 of its Implementing Rules and Regulations (IRR), the Commission promulgated Resolution No. 49, Series of 2006 otherwise known as “*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;
5. Pursuant to and in compliance with the requirements of the foregoing law, rules and resolutions, SULECO is submitting and attached to the Application for the 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. SULECO’s proposed BSUP is divided into six (6) sections, described in detail hereunder, as follows:

SECTION I. DETAILS OF CURRENT STRUCTURE

a) CORPORATE PROFILE

The Sulu Electric Cooperative, Inc. (SULECO) is a non-stock, non-profit electric cooperative created pursuant to Republic Act No. 6038 as amended by Presidential Decree 269. It was registered with the National Electrification Administration (NEA) on February 24, 1973.

The National Electrification Commission granted SULECO an exclusive franchise to operate and distribute light and power services in the seven (7) municipalities of the province of Sulu, namely: Jolo, Indanan, Luuk, Maimbung, Parang, Patikul, and Talipao.

Status of Electrification as of December 31, 2015:

Number of consumers served by SULECO: Residential - 17,110; Low Voltage: Commercial - 1,019; Public building- 382; Street Lights- 8; and BAPA - 1. Total number of consumers served is 18,520.

Financial and Statistical Report as of December 31, 2015:

Total Residential kWh sales for 2015 amounted to 32,685,129.64, broken down as follows: Residential - 23,989,424.38; Low Voltage Commercial - 4,487,676.92; Public Buildings - 4,149,018.34; Street lights - 46,246.00:

BAPA – 12,764.00

b) CORPORATE STRUCTURE

SULECO's present organizational structure has been existent since 2007, divided into four (4) main departments, briefly described as follows:

1. Office of the General Manager (OGM)

Composed of the General Manager's Office, Internal Audit Office and OGM Office Assistant.

2. Institutional Services Department (ISD)

Divided into three (3) Divisions, namely: Member Services Division, General Services Division and Area Collection and Disconnection Division.

3. Finance Services Department (FSD)

Divided into three (3) Divisions, namely: Finance and Accounting Division, Cashiering and Telling Division and Meter Reading and Billing Division.

4. Technical Services Department (TSD)

Composed of the Power Metering and Line Operation Maintenance Engineering Division.

c) DESCRIPTION OF FUNCTIONS

1. General Membership

Their general functions are to vote, to participate in the General and Special Meetings of members, to purchase from the cooperative electric energy; 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 to pay the membership fee.

2. Board of Directors (BOD)

The Board is responsible for the formulation of policies needed for the efficient and effective operation of the cooperative. Furthermore, the Board is responsible for public relations and for affairs with government agencies.

3. Office of the General Manager (OGM)

The OGM ensures the implementation of NEA guidelines, ERC rules and regulations, and other applicable governing laws, rules and regulations. It is responsible for enforcing policies, plans and programs set forth by the Board of

Directors in relation to the conduct of business of the cooperative. It advises the Board regarding plans and projects needed for the development of the cooperative. It recommends appropriate actions to the Board on staffing pattern, working conditions and budget on operation. It manages the affairs of the cooperative by providing safe, efficient and reliable power source.

4. Institutional Services Department (ISD)

The ISD is responsible in educating the member-consumers on safe and wise utilization of electricity. It promotes goodwill among its member-consumers. It is responsible in maintaining order in the cooperative's premises, proper utilization of the cooperative's vehicles, equipment and supplies, systematic procedures on warehousing and maintenance of the cooperative's properties. It ensures the development and hiring of qualified and highly competent employees in accordance with NEA guidelines and standards.

5. Finance Services Department (FSD)

The FSD is responsible in keeping and maintaining accurate books of accounts, sees to it that the cooperative is operating in accordance with the annual budget duly approved by NEA. It provides regular information to the BOD, Management and the NEA of the financial conditions of the cooperative, proper handling of funds and strict implementation of consumers billing, meter reading, collection, and disconnection policies of the cooperative.

6. Technical Services Department (TSD)

The TSD is responsible in preparing and maintaining plans, designs and specifications of electric system in accordance with NEA standards. It administers proposed line construction or extension, executes and directs construction of electric system in accordance with NEA standards and monitors system load to assure system adequacy. It ensures safe and efficient substation for continuity of electric services, proper maintenance of kWh meters and Demand Meters and sees to it that system loss is within allowable limit set by ERC in accordance with the EPIRA.

d) DESCRIPTION OF CURRENT PROCESS

1. Meter Reading and Billing Process

There are eight (8) personnel under the MRBC Division, six (6) regular and two (2) casual meter readers. They are using the Cipherlab 8360 unit/gadget. The reading cycle starts every 13th day of the month and ends on 25th Read and Bill. After reading cycle, the Billing Division prints the monthly meter reading summary, monitors misread consumers,

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produce consumer's ledger, adjusts and corrects bills applicable for the current month only. Beyond the current month, the Debit-Credit module is used.

2. Collection

The ISD has assigned and authorized field collectors. After every reading period, the ISD personnel conduct mobile info-drive and house to house collection campaign.

The Cashiering Section is responsible for all cash and bank transactions and ensures that all supporting documents are in order. The cashier receives the daily collections report and cash remittance from the tellers. It prepares the Daily Cash Position Report submitted to the Internal Auditor and Accounting Division who in turn checks and verifies that reports are accurate according to accounting policies and proper procedures. Cash and check deposits will be made on the following banking day.

3. Disconnection

Prior to disconnection, the ISD conducts mobile info-drive within area coverage and sends out demand letter to consumers having two (2) months and above accounts.

4. Reconnection Process

Disconnected consumers are charged a Reconnection Fee of PhP200.00 for residential and public building, and PhP500.00 for commercial consumers. The Records Custodian prepares the Job Order to be accomplished by the technical personnel. Reconnection of power lines is attended by the cooperative within the day.

5. Handling of Complaints Process

The Consumer Welfare Desk Officer put on record each consumer's complaint, issues an order regarding the complaint and sends the same to the appropriate department. The Billing Section Head, Accounting Section Head, Metering Section Head, as the case may be, upon taking action on the complaint order must put on the cooperative's record its accomplishment report.

6. New Service Connection

The applicant for new service connection will undergo a Pre-Membership Education Seminar which is conducted every Thursday by personnel from the ISD and some invited personnel from the TSD. The Pre-Membership Seminar enables the applicants to be aware of the existing policies, obligations and operation of the cooperative. The membership fee is Five Pesos (PhP5.00) and the filing fee is of Forty Five Pesos (PhP45.00).

7. Procurement Process

In the procurement of Capital Expenditures and Non-Capital Expenditures, the requesting officer should make a request/RIV stating all the needed materials/supplies and gives it to the Internal Auditor for pre-audit and for the approval of the General Manager.

SECTION II. DETAILS OF BUSINESS SEGMENTS

The Cooperative has adopted the four (4) business segments described below, in accordance with the approved BSG, as amended:

A. DISTRIBUTION SERVICES BUSINESS SEGMENT

This segment has the following distribution services:

1. Conveyance of electricity through a Distribution System and the control and monitoring of electricity as it is conveyed through the Distribution System (including any services that support such conveyance, control or monitoring or the safe operation of the Distribution System).
2. Provision of Ancillary Services (if any) that are provided using assets which form part of a Distribution System (an example of such Ancillary Services is services provided by a series reactor or a static vary compensator);
3. Planning, maintenance, augmentation and operation of the Distribution System.
4. 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. Billing, collection and provision of customer services that are directly related to the delivery of electricity to end-users or to those that relate to the connection of such persons to a Distribution System (whether such services are provided to those end-users or to Suppliers or to any other person).

The assets included in this Business Segment are all the facilities and assets used to provide the distribution services of this particular business segment.

The liabilities included in this Business Segment are all the liabilities incurred directly or a relevant share of the shared liabilities which are incurred to provide the services or undertake the operational activities of this particular business segment.

Revenues include all revenues derived from the provision of the distribution services, including revenues derived from the sale of related facilities, plants or assets.

Costs include all costs associated with management, maintenance and operation of distribution system facilities and other assets in order to provide the distribution services of this particular business segment.

B. DISTRIBUTION CONNECTION SERVICES BUSINESS SEGMENT

This segment has the following distribution connection services:

1. The provision of capability at each Connection Point to a Distribution System to deliver electricity or to take electricity from the Connection Point and the conveyance of electricity:
 - 1.1.1 From the facilities of persons which are directly connected to the Distribution System;
 - 1.1.2 From the Connection Point to the facilities of persons which are directly connected to the Distribution System;
 - 1.1.3 Planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and
 - 1.1.4 Provision of other services that support any of the above services.

The assets included in the Business Segment are all the facilities and assets used to provide the distribution connection services of this particular business segment.

The liabilities included in this business segment are all the liabilities incurred directly or a relevant share of the shared liabilities incurred to provide the services or undertake the activities of this particular business segment.

Revenues include all revenues associated with providing the distribution connection services, including the corresponding depreciation of the Distribution Connection Assets.

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, 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. Sale of electricity to end-users who are included on the Captive Market

Regulated retail services also comprise 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.

The assets included in this Business Segment are all the assets used directly, or a relevant share of the shared assets used to provide the regulated retail services.

The liabilities included in this Business Segment are all the liabilities directly incurred or a relevant share of the shared liabilities incurred to provide the services or undertake the operational activities of this particular business segment.

Revenues include all revenues associated with providing the regulated retail services.

Costs include all costs associated with the provision of the regulated retail services, including the relevant share of the operating and maintenance costs and the depreciation costs of the assets used to provide the services or undertake the operational activities of this particular business segment.

D. RELATED 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.

The assets included in this business segment are all the assets used directly or a relevant share of the shared assets used to provide the services or undertake the activities of this particular business segment.

The liabilities included in this business segment are all the liabilities incurred directly or a relevant share of the shared

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liabilities incurred to provide the services or undertake the operational activities of this particular business segment.

Revenues include all revenues generated from the provision of the services or the undertaking of the activities for this particular business segment.

Costs include all the relevant share of operating and maintenance costs and depreciation costs apportioned in accordance with the principles set out in the approved accounting Cost Allocation Manual for electric cooperatives.

SECTION III. ACCOUNTING SEPARATION

SULECO 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. Basic Accounting Principles

SECTION IV. DESCRIPTION OF SEPARATION

SULECO, as of the filing of this application, remains a single entity and will be unbundled through separation of its employees and assets, as may be appropriate. The separation will be through evaluation of workloads, job descriptions, qualifications and usage in the case of fixed assets. It will allocate its departments to the business segments. However, for departments with un-attributable costs, allocation factors will be utilized as prescribed in the ACAM.

SULECO'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

SECTION V. MILESTONES AND HIGHLIGHTS

Details on SULECO's milestones and highlights are documented in the BSUP.

SECTION VI. PROGRAM FOR CODE OF CONDUCT

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

Copy of the proposed BSUP is being submitted together with the Application and made integral part hereto as **Annex "A"**.

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4. Further, SULECO prepared Accounting Separation Statements in accordance with the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives, based on its Audited Financial Statements (AFS) for the Year 2015. Copies of the Accounting Separation Statements and AFS are attached to the Application and made integral parts hereto as Annexes "B" and "C", respectively.
5. Lastly, SULECO is likewise submitting together with the Application for the Honorable Commission's consideration and approval, a set of Confidentiality Policies and Guidance to be observed by concerned personnel of SULECO, together with a Board Resolution adopting certain sets of obligations imposed upon Distribution Utilities (DUs), among others, as provided under Article V of the Business Separation Guidelines (BSG), attached and made integral parts thereto as Annexes "D" and "E," respectively.

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

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

Finding the *Application* sufficient in form and substance, the Commission issued an *Order* and a *Notice of Public Hearing*, both dated 23 June 2017, setting the case for initial hearing on 05 September 2017.

On 30 August 2017, SULECO filed its *Pre-trial Brief* and the *Judicial Affidavit of Nahwi M. Kimpa*, Finance Manager of SULECO.

During the hearing on 05 September 2017, only Applicant SULECO appeared. No intervenor or oppositor manifested its intent to participate in the proceedings as such.

In the said hearing, the Commission looked into the documents presented by the Applicant to prove its compliance with the publication and posting requirements provided in the *Order* dated 23 June 2017. The Commission verified that SULECO complied with the jurisdictional requirements, all of which were marked as Exhibits "A" to "D", inclusive. Thus, the Commission acquired jurisdiction over the instant case.

On 10 October 2017, SULECO filed its *Formal Offer of Evidence* and *Compliance with Directives* attaching thereto the documents requested by the Commission during the 05 September 2017 hearing.

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Thereafter, the Commission issued an *Order* dated 06 March 2018 admitting the exhibits contained in the *Formal Offer of Evidence* filed by SULECO, and submitting the instant case for resolution.

ISSUE

The issue for the Commission's resolution is whether or not the proposed Business Separation and Unbundling Plan (BSUP) of SULECO meets the requirements of Section 36 of R.A. 9136 (EPIRA), Rule 10 of the EPIRA Implementing Rules and Regulations, ERC Resolution No. 49, Series of 2006 otherwise known as the Business Separation Guidelines, as Amended and ERC Resolution No. 07, Series of 2012 Adopting the Accounting and Cost Allocation Manual for Electric Cooperatives.

THE COMMISSION'S RULING

The Commission resolved to approve the Business Separation and Unbundling Plan (BSUP) of Applicant SULECO subject to certain conditions.

DISCUSSION

Section 36 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) provides:

Unbundling of Rates and Functions. - xxx.

Within six (6) months from the effectivity of this Act, each distribution utility shall file its revised rates for the approval by the ERC. The distribution wheeling charge shall be unbundled from the retail rate and the rates shall reflect the respective costs of providing each service. For both the distribution retail wheeling and supplier's charges, inter-class subsidies shall be removed in accordance with this Act.

Within six (6) months from the date of submission of revised rates by NPC and each distribution utility, the ERC shall notify the entities of their approval.

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.

Likewise, Rule 10, Section 1 of EPIRA's Implementing Rules and Regulations provides:

Xxx, any Electric Power Industry Participant shall structurally and functionally unbundle its business activities in accordance with Section 5 of the Act, namely: generation, transmission, distribution and supply. Structural unbundling shall mean the separation of different activities through the creation of separate divisions or departments within a single company or, at the option of any Electric Power Industry Participant, a separation into different juridical entities, with a clear separation of accounts between regulated and non-regulated business activities. Functional unbundling shall mean the separation of functions into different components. For this purpose, business activities resulting from the initial unbundling process may be further unbundled to widen the scope for competitive activities. The ERC shall formulate the appropriate guidelines and shall ensure full compliance with this provision.

Consequently, on 22 September 2003, the Commission adopted the Business Separation Guidelines (BSG).

In 2005, the Electric Cooperatives (ECs), on various dates, filed with the Commission their individual applications for the approval of their BSUP and Accounting and Cost Allocation Manual (ACAM) pursuant to the provisions of Section 36 of the EPIRA and Rule 10 of its IRR.

On 21 June 2006, the Commission promulgated Resolution No. 49, Series of 2006, entitled: "Business Separation Guidelines, as Amended" to incorporate additional business segment and activities, and to make it consistent with the Code of Conduct for Competitive Retail Market Participants which prescribes the operational separation between a distribution utility's regulated and non-regulated business activities.

In the meantime, on 13 September 2007, the Commission issued an *Order* to the ECs concerned, stating among others, that the initial evaluation of the applications related to their BSUP and ACAM disclosed that the data contained therein are insufficient to enable the Commission to make a reasonable determination of the EC's BSUP and ACAM.

On 15 September 2011, the Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA) filed a Petition for the

adoption of the proposed ACAM for ECs in ERC Case No. 2011-008 RM¹.

Subsequently, on 03 October 2011, the Commission issued an *Order* directing all ECs to file their respective manifestations stating their intention on whether or not to adopt the instant petition and withdraw their previous BSUP and ACAM applications. The ECs thereafter withdrew their respective 2005 applications and adopted the petition filed by PHILRECA.

The Commission approved PHILRECA's petition on 11 June 2012 and issued Resolution No. 07, Series of 2012².

Pursuant to the Commission's Resolution No. 49, Series of 2006 and Resolution No. 07, Series of 2012, SULECO filed the instant *Application*.

SULECO seeks the approval of its proposed Business Segments, Chart of Accounts and Allocation Factors Utilized.

SULECO manifested that it shall undertake seven (7) Distribution Business Segments, namely: Distribution Services (DS), Distribution Connection Services (DCS), Regulated Retail Services (RRS), Related Business Services (RB), Last Resort Supply Services (LRSS), Non-Regulated Retail Services (NRRS), and Wholesale Aggregation (WA).

At present, only four (4) business segments are existing, namely: DS, DCS, RRS, and RB. Since SULECO is an off-grid electric cooperative, the three (3) business segments, namely: Non-Regulated Retail Services (NRRS); Last Resort Supply Services (LRSS); and Wholesale Aggregation (WA) does not apply in its operation.

It must be recalled that on 06 July 2015, the Commission promulgated ERC Resolution No. 12, Series of 2015, entitled Resolution to Discontinue the Wholesale Aggregator Scheme as embodied in the Rules for the Registration of the Wholesale Aggregators. Under the said Resolution, the Commission resolved to adopt the discontinuance of the Wholesale Aggregator scheme and the Rules for the Registration of the Wholesale Aggregators, as

¹ Entitled, In the Matter of the Petition for the Adoption of the Proposed Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives.

² Entitled, A Resolution Adopting the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives.

revoked, the same cannot be considered as a business segment in the instant case.

The Commission finds SULECO's proposed business segments acceptable for being consistent with the approved ACAM, except for the WA segment³.

The Commission takes note that SULECO only allocated its accounts in its four (4) existing distribution business segments. In the event that a revision in the allocation of costs related to the business segments becomes necessary, SULECO should inform the Commission of the consequent modification on its BSUP.

SULECO, in general, adopted the approved ACAM in its operation, including the prescribed Chart of Accounts and Allocation Factors, in consonance with the provisions of the BSG, as amended.

However, the Commission noted that in the Chart of Accounts and Allocation Factors, SULECO inserted additional account names/codes in its Trial Balance, particularly in its Distribution Utility Plant and Equipment (111-101-00-000), Accumulated Distribution Utility Plant and Equipment (111-104-00-000) and Depreciation Expenses (540-501-00-000), all of which pertain to generation assets that were already turned-over to and at present being operated by National Power Corporation-Small Power Utilities Group (NPC-SPUG).

Accordingly, SULECO is directed to recognize and present the above mentioned accounts under "Generation Activity", with separate set of Accounting Separation Statements, and with proper notation/disclosure regarding the circumstance of said facilities. This is in compliance with the BSG, as amended, and for purposes of recording.

In addition to the foregoing, SULECO must modify the following:

- 1) Other Restricted Fund – Retirement, Other Non-Current Liabilities – Consumers' Deposit-Energy, Account Payable – Accounts Payable-Power Supplies, and Accrued Taxes – Withholding Tax Payable-Employees accounts should be

³ ERC Resolution No. 12, Series of 2015, entitled Resolution to Discontinue the Wholesale Aggregator Scheme as embodied in the Rules for the Registration of the Wholesale Aggregators.

allocated using "Direct" allocation factor per approved ACAM; and

- 2) Accounts under CWIP (By Contract, By Administration, Special Equipment and Unassigned Administrative Overhead) should utilize account numbers as per approved ACAM.

SULECO is likewise directed to submit a copy of its National Electrification Administration (NEA) approved plantilla positions as of December 31, 2015 and 2017, and NEA certification of its franchise area.

Furthermore, in the preparation of Accounting Separation Statement, the BSG, as amended, requires that transfer pricing policies shall be used for transactions between business segments.

However, in the instant *Application* SULECO has no proposed transfer pricing methodology. Thus, the Commission resolved that the calculation of transfer prices should be based on fully allocated costs using the cost allocation standards without any mark-up for services, products and assets transferred between related entities or business segments.

IN VIEW OF THE FOREGOING, the Commission **APPROVES** the Business Separation and Unbundling Plan (BSUP) of Sulu Electric Cooperative, Inc. (SULECO) subject to the following conditions:

- a) SULECO is directed to recognize and present the above mentioned accounts pertaining to generation assets previously operated and maintained by SULECO, under "Generation Activity", with separate set of Accounting Separation Statements and with proper notation/disclosure regarding the circumstance of said facilities;
- b) SULECO is directed to modify the following: 1) Other Restricted Fund – Retirement, Other Non-Current Liabilities – Consumers' Deposit-Energy, Account Payable – Accounts Payable-Power Supplies, and Accrued Taxes – Withholding Tax Payable-Employees accounts should be allocated using "Direct" allocation factor per approved ACAM; and 2) Accounts under CWIP (By Contract, By Administration, Special Equipment and Unassigned

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Administrative Overhead) should utilize account numbers as per approved ACAM;

- c) SULECO is directed to submit a copy of its NEA approved plantilla positions as of December 31, 2015 and 2017, and NEA certification of its franchise area;
- d) SULECO's calculation of transfer prices should be based on fully allocated costs using the cost allocation standards without any mark-up for services, projects and assets transferred between related entities or business segments; and
- e) SULECO is directed to inform the Commission of the consequent modification in its BSUP in the event that a revision in the allocation of costs related to the business segments becomes necessary.

Finally, SULECO is required to submit the following documents for proper monitoring of its compliance within five (5) months from the end of each financial year (starting FY 2018), as provided in Article II, Section 2.12 of the BSG, as amended:

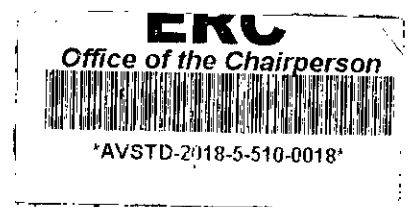
- 1) Accounting Separation Statements prepared by it for the relevant period, in accordance with the approved BSG, as amended, and the Commission's approved ACAM;
- 2) Management Responsibility Statement required to accompany the Accounting Separation Statements in accordance with Section 2.6 of the BSG, as amended;
- 3) Auditor's Report on the Accounting Separation Statements prepared in accordance with Section 2.8 of the BSG, as amended;
- 4) General Information Sheet required to accompany the Accounting Separation Statement in accordance with Section 2.10 of the BSG, as amended;
- 5) Compliance Report required to accompany the Accounting Separation Statements in accordance with Section 2.11 of the BSG, as amended; and

- 6) A consolidated copy of the relevant Electric Power Industry Participant's ACAM, where such ACAM has been amended, so that it does not correspond with the consolidated copy of the ACAM that has been previously approved by the Commission.

SO ORDERED.

Pasig City, 17 April 2018.


AGNES VST DEVANADERA
Chairperson and CEO




ALFREDO J. NON
Commissioner


GLORIA VICTORIA C. YAP-TARUC
Commissioner


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


GERONIMO D. STA. ANA
Commissioner

ROS: JFSC/GCA/AJMO/FBD

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LS: IHH/LSP/APV

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4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila

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5. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
7. Philippine Chamber of Commerce and Industry (PCCI)
Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the Mayor
Jolo, Sulu
9. Office of the Local Government Unit (LGU) Legislative Body
Jolo, Sulu
10. Office of the Mayor
Indanan, Sulu
11. Office of the LGU Legislative Body
Indanan, Sulu
12. Office of the Mayor
Luuk, Sulu
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Patikul, Sulu
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Province of Sulu
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