

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



**IN THE MATTER OF THE  
PETITION FOR  
APPROVAL/REVIEW OF THE  
BUSINESS SEPARATION  
AND UNBUNDLING PLANS  
(BSUP) AND COST  
ALLOCATION MANUAL  
(ACAM) PURSUANT TO THE  
PROVISION OF SECTION 36  
OF R. A. NO. 9136, AND RULE  
10 OF THE IMPLEMENTING  
RULES AND REGULATIONS,**

**ERC CASE No. 2016-035 MC**

**TICAO ISLAND ELECTRIC  
COOPERATIVE, INC.  
(TISELCO),**

**Applicant.**

X-----X

DOCKETED  
Date: JUN 27 2018  
By: [Signature]

**DECISION**

Before this Commission for resolution is the *Application* filed by Ticao Island Electric Cooperative, Inc. (TISELCO) on 25 November 2016 seeking for the approval/review of the Business Separation and Unbundling Plans (BSUP) and Cost Allocation Manual (ACAM) pursuant to the provision of Section 36 of R. A. 9136 and Rule 10 of its Implementing Rules and Regulations.

TISELCO alleged the following in its *Application*:

1. That TISELCO is an electric cooperative duly established and existing pursuant to the provision of P.D. 269 as amended by P.D. 1645, with principal office located at Barsaga St., San Jacinto, Masbate and represented herein by its General Manager, **RICARDO P. LARGO**, also with office address located at Barsaga St., San Jacinto, Masbate;
2. That TISELCO has been granted by the National Electrification Administration (NEA) the power to operate and distribute electric light and power on an area coverage

basis to the following City/Municipalities, as follows: Batuan, Monreal, San Fernando, and San Jacinto, all in the province of Masbate;

3. That pursuant to the provision of Section 36 of R. A. 9136 and Rule 10, Section 3(b) of the Implementing Rules and Regulations, and pursuant to ERC promulgated Resolution No. 49, Series of 2006 as well as Resolution No. 07 Series of 2012, all Electric Power Industry Participant shall prepare and submit for approval by the ERC its **Business Separation and Unbundling Plan (BSUP)**;
4. That in accordance with the provision of paragraph ( c ), Section 3, Rule 10 of the Implementing Rules, ERC Resolution No. 49, Series of 2006 and Resolution No. 07 Series of 2012, herein applicant hereby submit its BSUP containing the following:

**Proposed BSUP**

**SECTION 1. DETAILS OF CURRENT STRUCTURE**

**1.1 EC PROFILE**

**1.1.1 EC Background:** The Ticao Island Electric Cooperative Inc. was organized on March 18, 1985 and was thereafter issued a Certificate of Franchise by the National Electrification Administration on June 25, 1992 pursuant to the provision of P.D 269 as amended by P.D. 1645, per attached copy marked as **Annex "J"** hereof.

**1.1.2 Coverage Area:** The area coverage of Ticao Island Electric Cooperative as per its Certificate of Franchise is as follows: Batuan, Monreal, San Fernando and San Jacinto, all in the Province of Masbate;

**1.1.3 Profile of Customer Served:** The cooperative is categorized as Small Electric cooperative with a total number of member-consumers as follows:

<b>Type of Customers</b>	<b>No. of Customers</b>
<b>Residential</b>	8,730
<b>Commercial</b>	347
<b>Industrial</b>	0
<b>Public Building</b>	135
<b>Street Light</b>	37
<b>BAPA</b>	1
<b>Total</b>	9,250

**1.1.4 Sales/Demand:**

MONTH	AVERAGE DEMAND (KW)	PEAK DEMAND (KW)	PURCHASE (KWHR)	SALES (KWHR)
Jan-15	779	1,319	499,646	379,476.34
Feb-15	802	1,302	505,204	378,822.20
Mar-15	846	1,421	468,006	373,411.90
Apr-15	1,011	1,528	615,650	484,048.50
May-15	1,033	1,606	685,321	548,903.30
Jun-15	1,074	1,708	714,378	582,190.52
Jul-15	1,026	1,631	608,986	478,454.91
Aug-15	1,019	1,620	653,954	515,455.97
Sep-15	1,006	1,599	669,655	518,323.62
Oct-15	1,022	1,625	634,823	517,225.73
Nov-15	970	1,541	701,911	534,367.57
Dec-15	978	1,555	460,565	376,391.45
<b>SUMMARY</b>	<b>964</b>	<b>1,708</b>	<b>7,218,099</b>	<b>5,687,072</b>
	<b>AVERAGE</b>	<b>MAXIMUM</b>	<b>TOTAL</b>	<b>TOTAL</b>

**1.1.5 Number of Employees;** presently the cooperative has the following number of employees:

Management	Approved and Proposed Plantilla Positions	No. of Regular Employees	Vacant Positions
Office of the General Manager	2	1	1(Approved)
Finance Service Dep't.	15	15	0
Institutional Service Dep't.	6	6	0
Technical Service Dep't.	23	23	0
CorPlan Dep't.	4	1	3 (Proposed)
<b>Total</b>	<b>50</b>	<b>46</b>	<b>4</b>
<b>Outside Services</b>			
Security Guards		2	
Legal Counsel		1	
External Auditor		1	

**1.2 ORGANIZATIONAL STRUCTURE**

The topmost in the organizational structure of TISELCO is its member-consumers. The second is the board of directors who represent the member-consumers for their respective municipality. The next is the Office of the General Manager which oversees all aspects of operations within a cooperative. The cooperative is divided in to four departments as follows: a) Finance Service

Department with fifteen (15) number of employees; b) Technical Service Department with twenty-three (23) number of employees; c) Institutional Service Department with six (6) number of employees; and Corporate Planning Department with 1 number of employee;

1.2.1 Statement of General function of each department: Under the Office of the General Manager (OGM) are the four (4) departments namely, (a) the Institutional Services Department which is responsible for the delivery of support services such as corporate image building and management-consumer relationship development programs; (b) the Technical Services Department which directly addresses the planning, construction, operation and maintenance of the distribution system so that a reliable, safe and efficient service to its franchise area will be attained; (c) Financial Services Department serves as the focal sector in the financial operation of the cooperative; and lastly, (d) the Corporate Planning Department which is responsible in facilitating corporate activities and provides support to all the departments regarding strategic planning and realignment programs.

1.2.2 Specific functions of each department: marked as sub-section 1.2.2

1.2.3 Organizational Chart per department: copy of which is hereto attached and also included in sub-section 1.2.2 and the overview of organizational chart of the cooperative is attached as sub-section 1.2.3 of the submitted documents hereof.

### **1.3 DESCRIPTION OF CURRENT PROCESS**

The cooperative current processes as included in this application are as follows, Membership and Service Connection Process, Consumer Complaints & Dispatch Process, Meter Reading, Billing & Handling of Bills, Collection Process, Cashiering Process, Disconnection and Reconnection Processes, Requisition and Procurement Process, Materials Inventory Process and Disbursements Process.

**1.3.1 Detailed Description of Current Processes**, copy of which is hereto attached as **Section 1.3**, Description of Current Processes.

**1.3.2 Flow Chart**, copy of which is hereto attached and also included in **sub-section 1.3**.

## **SECTION 2. DETAILS OF BUSINESS SEGMENT**

**2.1 The Details of the Business Segment.** TISELCO is purely engaged in distribution and related activities. There are seven distribution and related activities business segments.

These segments are further classified into regulated and non-regulated business segments.

At present, TISELCO is involved in four (4) business segments, namely, Distribution Service (DS), Distribution Connection Service (DCS), Regulated Retail Services (RRS) and Related Business (RB); the other three (3) business segments, namely, Last Resort Supply Services (LRSS), Wholesale Aggregation (WA), Non-Regulated Retail Services (NRRS), have not included in this BSUP because the cooperative has a far possible chance of engaging into such. Below is the description of the four (4) business segments applicable to TISELCO:

- a.) **Distribution Services (DS)** - Provision of regulated distribution and ancillary services. Planning, maintenance, augmentation and operation of distribution system provision, installation, commissioning, testing, repair, maintenance and reading of meters. Billing, collection and customer service for customers purchasing distribution and distribution connection services
- b.) **Distribution Connection Services (DCS)** - 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: from the facilities of persons which are directly connected to the Distribution System, and from the connection point to the facilities of persons which are directly connected to the Distribution System; Planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and Provision of other services that support any of the above services.
- c.) **Regulated Retail Services (RRS)** - 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: Billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers; 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 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.
- d.) **Related Business (RB)** - 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: Electricity related services such as the construction and maintenance of customer installations and Non-electricity related services such as telecommunications services.

The Details of Business segments are found in Section of the submitted documents hereof.

**2.2 The Segregation of Employees.** The cooperative segregation of employees per department is already contained in Section 2, Details of Business Segments of the submitted documents hereof.

**2.3 The Description of Assets.** The assets of TISELCO are allocated into different distribution business segments thru the Asset Allocation Factor as stated in the ACAM as approved by the Energy Regulatory Commission; the description of assets is also found in Section 2 of the submitted documents.

### **SECTION 3. ACCOUNTING SEPARATION**

The Accounting Separation of Ticao Island Electric Cooperative, Inc. (TISELCO) covers the following:

**3.1 Principles to Achieve Accounting Separation.** TISELCO shall prepare its Accounting Separation Statements in accordance with the ERC approved Accounting and Cost Allocation Manual (ACAM) for ECs, which provides full and proper documentation of the accounting policies and principles used to prepare the required Accounting Separation Statements. Details are found in **sub-section 3.1** of the submitted documents hereof.

**3.2 Allocation Principles.** Allocation based on causation to the extent possible, revenues and costs must be allocated to Business Segments on the basis of causation - that is, each cost or revenue must be allocated to the segment that caused the cost or revenue to arise. Details are found in **sub-section 3.2** of the submitted documents hereof.

**3.3 Chart of Accounts.** TISELCO shall adopt the Chart of Accounts as provided by the Accounting and Cost Allocation Manual (ACAM). The chart of accounts establishes the general ledger and subsidiary ledger accounts to be used by the Cooperative. It has incorporated the requirements under the Electric Power Industry Reform Act ("Republic Act 9136" or the "EPIRA") following the Business Separation Guidelines (BSG), as amended. Details are found in **Annex B** of the submitted documents hereof.

**3.4 Basic Accounting Principles.** TISELCO intend to present financial statements with the following frameworks, concepts, characteristics and assumptions such as reasonability, relevance, reliability, comparability, materiality, consistency,

going concern, accrual, as provided for in the ACAM. Details are found in **sub-section 3.4** of the submitted documents hereof.

**SECTION 4. DESCRIPTION OF SEPARATION**

**4.1 General Structure per Business Segment.** The details of the Description of Separation shall include the General Structure per business; the Detailed Structure per Business, the Detailed Structure per Department; and the Description of Assets and which are attached hereto as follows:

**4.2 Detailed Structure per Business Segment.** This sub-section presents the detailed structure of each business segment found in sub-section 4.2 of the submitted documents hereof.

**4.3 Detailed Structure per Department.** This sub-section presents in detail the various structure of the various departments of TISELCO.

**SECTION 5. MILESTONES AND HIGHLIGHTS**

<b>DATE</b>	<b>DESCRIPTION OF ACTIVITIES</b>
September 15, 2011	Filing of Petition to Initiate Rule Making for the Adaptation of the proposed ACAM for ECs
June 11, 2012	ERC Adopts the ACAM for EC's-Res No. 7 series 2012
March 14, 2012	Public Consultation with ERC for all Luzon EC's of the New ACAM at Robinsdale, Quezon City
October 4-6, 2016	Seminar on Preparation and Filing of the Business Separation and Unbundling Plan (BSUP) by PHILRECA
October 19, 2016	Presentation to TISELCO BOD for the approval of the filing of BSUP
November 10, 2016	Pre-filing of TISELCO BSUP to ERC
November 25, 2016	Filing of TISELCO BSUP to ERC
January 2017	ERC Hearing and Public Consultation for TISELCO BSUP
March 2017	Training of All TISELCO Employees

TISELCO shall implement the proposed organizational chart immediately upon the approval of the Business Separation and Unbundling Plan by the Energy Regulatory Commission (ERC). The General Manager and each Department Manager of the four departments, Finance, Technical, Institutional and Corporate Planning are assigned to take charge of the proper implementation and monitoring of the said plan.

**SECTION 6. PROGRAMS FOR CODE OF CONDUCT**

TISELCO shall earnestly comply with the provisions of Resolution No. 31, Series of 2006 issued by the ERC pursuant to Section 43 (t) and 45 of R.A. No. 9136 and Section 3 (iv), Rule 10 of

its implementing Rules and Regulations. In particular, TISELCO shall comply with the provisions of the Code as provided in Article I, Section 1, thereof to protect consumers and promote consumer confidence in retail electricity and other purposes.

**The Accounting and Cost Allocation Manual (ACAM)**, has been prepared and formulated in accordance with the guidelines issued by this Honorable Commission hereto attached and partly incorporated in its Business Segregation and Unbundling Plan for approval by this Honorable Commission;

#### **P R A Y E R**

**WHEREFORE**, in view of the foregoing, it is most respectfully prayed of this Honorable Commission that after due notice and hearing the herein submitted Business Segregation and Unbundling Plan (BSUP) and the Accounting and Cost Allocation Manual (ACAM) of **TICAO ISLAND ELECTRIC COOPERATIVE, INC. (TISELCO)** be approved.

Other relief/s just and equitable in the premises are likewise prayed for.

The Commission, having found the said *Application* to be sufficient in substance with the required fees having been paid, issued an *Order* and a *Notice of Public Hearing*, both dated 08 March 2017, setting the case for initial hearing on 26 April 2017.

On 21 April 2017, Applicant TISELCO filed its *Pre-trial Brief* of even date.

In the 26 April 2017 hearing, only Applicant TISELCO appeared. It submitted its compliance with the jurisdictional requirements of the Commission which were duly marked as Exhibits "B" to "E-6"<sup>1</sup>, inclusive. There was neither Intervenor nor Oppositor who appeared at the hearing.

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<sup>1</sup> Exhibit "B", Acknowledgement issued by the Sangguniang Bayan of the Municipality of Batuan; Exhibit "B-1", Acknowledgement issued by the Sangguniang Bayan of the Municipality of Monreal; Exhibit "B-2", Acknowledgement issued by the Sangguniang Bayan Municipality of San Fernando; Exhibit "B-3", Acknowledgement issued by the Sangguniang Bayan Municipality of San Jacinto; Exhibit "B-4", Acknowledgement issued by the Sangguniang Panlalawigan Province of Masbate; Exhibit "C", ERC Order dated April 10, 2017; Exhibit "C-1", Notice of Public Hearing dated April 10, 2017; Exhibit "D", Certificate of posting issued by the Office of the Municipal Mayor of the Municipality of Batuan; Exhibit "D-1", Certificate of posting issued by the Office of the Municipal Mayor of the Municipality of Monreal; Exhibit "D-2", Certificate of posting issued by the Office of the Municipal Mayor of the Municipality of San Fernando; Exhibit "D-3", Certificate of posting issued by the Office of the Municipal Mayor of the Municipality of San Jacinto; Exhibit "D-4", Certificate of posting issued by the Office of the Governor, Prov. of Masbate; Exhibit "D-5", Certificate of posting issued by the Sangguniang Bayan of the Municipality of Batuan; Exhibit "D-6", Certificate of posting issued by the Sangguniang Bayan of the Municipality of Monreal; Exhibit "D-7", Certificate of posting issued by the Sangguniang Bayan of the Municipality of San Fernando; Exhibit "D-8", Certificate of posting issued by the Sangguniang Bayan of the Municipality of San Jacinto; Exhibit "D-9", Certificate of posting issued by the Sangguniang Panlalawigan of the Province of Masbate; Exhibit "E", Affidavit of



The expository presentation was delivered by Engr. Willard Espares (Engr. Espares), TISELCO's Corporate Planning Department Manager. The printed copy of his presentation was marked as Exhibit "H".

Engr. Espares was likewise presented as Applicant's first (1<sup>st</sup>) witness. Another witness was presented at the said hearing, Ms. Maria Judee Almocera, TISELCO's Finance Department Manager. They identified their Joint Judicial Affidavit and the signatures therein, which were marked as Exhibits "G" to "G-2", inclusive. Clarificatory questions were propounded, which the witness addressed.

Thereafter, TISELCO filed its *Formal Offer of Evidence and Documentary Exhibits* on 01 June 2017.

Thus, having found the exhibits contained in the Formal Offer of Evidence filed by Applicant TISELCO to be relevant and material to the evaluation of this case, the said exhibits were admitted in the *Order* dated 20 April 2018.

### **ISSUE**

The issue for the Commission's resolution is whether or not the proposed Business Separation and Unbundling Plan (BSUP) of TISELCO meets the requirements of Section 36 of Republic Act No. 9136, otherwise known as the, Electric Power Industry Reform Act of 2001 (EPIRA), Rule 10 of the EPIRA Implementing Rules and Regulations (IRR), Commission's Resolution No. 49, Series of 2006<sup>2</sup>, and Commission's Resolution No. 07, Series of 2012<sup>3</sup>.

### **THE COMMISSION'S RULING**

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

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Publication issued by the Malaya; Exhibit "E-1", Issue of the Malaya dated April 12, 2017; Exhibit "E-3", Published Notice of Hearing found on page B3 of the April 12, 2017 issue of the Malaya; Exhibit "E-4", Affidavit of Publication issued by the Manila Times; Exhibit "E-5", Issue of the Manila Times dated April 12, 2017; and Exhibit "E-6", Published Notice of Hearing found on page B3 of the April 12, 2017 issue of the Malaya.

<sup>2</sup> Entitled, "Business Separation Guidelines, as amended".

<sup>3</sup> Entitled, "Adopting the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives".

**DISCUSSION**

Section 36 the 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 IRR 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, 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 EPIRA IRR.

On 21 June 2006, the Commission promulgated Resolution No. 49, Series of 2006<sup>4</sup>, 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 under ERC Case No. 2011-008 RM<sup>5</sup>.

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 2012<sup>6</sup>.

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

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

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<sup>4</sup> Supra, Note 2.

<sup>5</sup> Entitled, " In the Matter of the Petition for the Adoption of the Proposed Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives.

<sup>6</sup> Supra, note 3.

TISELCO is involved in four (4) distribution business segments, namely: Distribution Services (DS); Distribution Connection Services (DCS); Regulated Retail Services (RRS); and Related Businesses (RB).

The Commission finds TISELCO's proposed business segments acceptable for being consistent with the approved ACAM.

The Commission takes note that TISELCO 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, TISELCO should inform the Commission of the consequent modification on its BSUP.

TISELCO, 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, except for the treatment of several accounts.

However, the Commission noted that TISELCO used different account codes in its "Asset – Non-Current Assets accounts".

Also, the Commission noted that TISELCO did not follow the proper linking of the allocation factor sheet with its Trial Balance for the following accounts:

- a) Revenues-Distribution and Related Activities – Pass-on Generation Charges, the same should have been allocated using kWh Sold allocation factor; and
- b) Costs and Expenses- Operation and Maintenance Expenses – Purchased, the same should have been allocated using PUR allocation factor.

In addition, TISELCO should be directed to modify its Statement of Assets and Liabilities, and the Total Assets and Liabilities worksheet to tally with its Audited Financial Statement for the year 2015.

Moreover, TISELCO should be directed to submit an electronic copy of its Trial Balance which should tally with the submitted printed copy of the same.

Accordingly, TISELCO is directed to submit the corrected Trial Balance and the aforementioned Accounting Separation Statements. This is in compliance with the BSG, as amended, and for purposes of recording. TISELCO is also directed to submit the itemized composition of the Miscellaneous Non-Operating Income amounting to PhP 539,436.00 and PhP 816,115.00 for the years 2014 and 2015, respectively.

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* TISELCO 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 Ticao Electric Cooperative, Inc. (TISELCO), subject to the following conditions:

- a) TISELCO is **DIRECTED** to use the prescribed account codes per the Commission's approved ACAM, in its "Asset – Non-Current Assets accounts";
- b) TISELCO is **DIRECTED** to follow the proper linking of the allocation factor sheet with its Trial Balance for the following accounts:
  - i. Revenues-Distribution and Related Activities – Pass-on Generation Charges should be allocated using kWh Sold allocation factor; and
  - ii. Costs and Expenses- Operation and Maintenance Expenses – Purchased should be allocated using PUR allocation factor.
- c) TISELCO is **DIRECTED** to modify its Statement of Assets and Liabilities, and the Total Assets and Liabilities worksheet in order that it would tally with the Audited Financial Statement for the year 2015;

- d) TISELCO is **DIRECTED** to submit an electronic copy of its Trial Balance, which should tally with the submitted printed copy of the same;
- e) TISELCO is **DIRECTED** to submit the corrected Trial Balance and the aforementioned Accounting Separation Statements. This is in compliance with the BSG, as amended, and for purposes of recording. TISELCO is also directed to submit the itemized composition of the Miscellaneous Non-Operating Income amounting to PhP 539,436.00 and PhP 816,115.00 for the years 2014 and 2015, respectively;
- f) TISELCO'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
- g) TISELCO 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, TISELCO is required to **SUBMIT** the following documents for proper monitoring of its compliance **within five (5) months** from the end of each Financial Year (FY) (starting on FY 2018), as provided in Article II, Section 2.12 of the BSG, as amended:

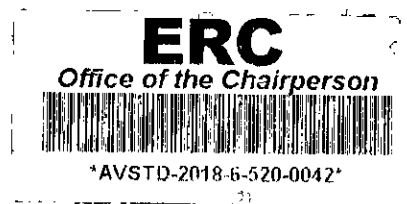
- 1) Accounting Separation Statements prepared by it for the relevant period, in accordance with the approved BSG, as amended, and the Commission's approved ACAM;
- 2) Management Responsibility Statement required to accompany the Accounting Separation Statements in accordance with Section 2.6 of the 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, 29 May 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: CBD/GWA/AJMO/FJD

LS: CRC/LSH/APV

LUC

Copy furnished:

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Quezon City
3. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, City of Makati 1229
4. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City

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5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City
6. House of Representatives Committee on Energy  
Batasan Hills, Quezon City
7. Office of the Municipal Mayor  
Butuan, Masbate
8. Office of the Sangguniang Bayan  
Butuan, Masbate
9. Office of the Municipal Mayor  
Monreal, Masbate
10. Office of the Sangguniang Bayan  
Monreal, Masbate
11. Office of the Municipal Mayor  
San Fernando, Masbate
12. Office of the Sangguniang Bayan  
San Fernando, Masbate
13. Office of the Municipal Mayor  
San Jacinto, Masbate
14. Office of the Sangguniang Bayan  
San Jacinto, Masbate
15. Office of the Governor  
Province of Masbate
16. Office of the Sangguniang Panlalawigan  
Province of Masbate
17. Philippine Chamber of Commerce and Industry (PCCI)  
3rd Floor, Chamber and Industry Plaza (CIP) 1030  
Campus Avenue corner Park Avenue McKinley Town Center,  
Fort Bonifacio, Taguig City
18. Regulatory Operations Service  
17<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue,  
Ortigas Center, Pasig City