

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. 9136
AND RULE 10 OF THE
IMPLEMENTING RULES
AND REGULATIONS,**

ERC CASE NO. 2016-032 MC

**CAMOTES ELECTRIC
COOPERATIVE, INC.
(CELCO),
Applicant.
X-----X**

D O C K E T E D
Date: JUL 11 2017
By: [Signature]

ORDER

On 14 October 2016, Camotes Electric Cooperative, Inc. (CELCO) filed an *Application* dated 7 October 2016 (Application) seeking the Commission's approval of its Business Separation and Unbundling Plan (BSUP) and Cost Allocation Manual (ACAM) pursuant to the provision of Section 36 of R.A. 9136 and Rule 10 of the Implementing Rules and Regulations (IRR).

CELCO alleged the following in its *Application*:

1. CELCO 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 Western Poblacion, Poro, Cebu and represented herein by EMMANUEL G. SUAREZ (General Manager), of legal age, Filipino, married and with office address located at Western Poblacion, Poro, Cebu;

2. CELCO 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 Municipalities, as follows: Poro, San Francisco, Tudela, Pilar, all in the province of Cebu;
3. Pursuant to the provision of Section 36 of R.A 9136 and Rule 10, Section 3(b) of the implementing Rules and Regulation, 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. 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, CELCO hereby submit its BSUP containing the following:

PROPOSED BSUP

1. CURRENT STRUCTURE

1.1 EC Profile

1.1.1 EC Background

The rural folks of Camotes Island never had a dream of having electricity in their backyard. With R.A. 6038 and P.D. 269 as amended, electrification has already reached even to the remote sitios of a barangay within the coverage area. The National Electrification Commission has issued to CELCO the Certificate of Franchise on November 6, 1985 and was given the authority to operate for a period of fifty (50) years.

1.1.2 Coverage Area

The coverage area of CELCO is 100% electrified and consists of (4) municipalities. Municipality of San Francisco with two districts (district III and IV), Municipality of Poro as district I, Municipality of Tudela as district II and Municipality of Pilar as District V.

1.1.3 Profile of Customer Served

Number of Customer Billed As of December 31, 2011	
Residential	
Lifeline	4,672
Non-Lifeline	7,251
Commercial	787
Industrial	20
Public Building	440
Street Light	46
TOTAL	13,216

1.1.4 KWH Sales

As of December 31, 2011	
Residential	4,070,677
Commercial	1,904,862
Industrial	105,227
Public Building	662,993
Street Light	80,630
TOTAL	6,824,390

1.1.5 KW Demand

As of December 31, 2011 **212.10 kw**

1.1.6 Number of Employees

The NEA Approved Plantilla Position of CELCO was composed of 58 employees.

The total numbers of employees as of December 31, 2011 are as follows:

Filled-up	47
Vacant	11
Present employees:	
Regular =	42
Probationary =	0
Casual =	0
Contractual =	5

Address

Mailing Address: Western Poblacion, Poro,
Camotes, Cebu

Email Address:

camotes_electric_coop@yahoo.com.ph

Contact Numbers: Landline - (032) 318-8090,
(032) 318-8089

Cellphone – 09173220545, 09173220575

1.2 Organizational Structure: The cooperative is divided into several department as follows:

- a. **GENERAL MEMBERSHIP**, consists of all registered member/owners;
- b. **BOARD OF DIRECTORS**, consisting of 5 members;
- c. **OFFICE OF THE GENERAL MANAGER:** with the following employees: Human Resource Officer and Information Technology Administrative;
- d. **INSTITUTIONAL SERVICES DEPARTMENT (ISD):** it is composed of the Head, ISD Section Head, Consumer Welfare Desk Officer, House Wiring Inspector, Complaint Officer, Information Training Officer, Lineman, ISDD Clerk, Utility and Watchman;

- e. **FINANCE SERVICES DEPARTMENT (FSD):** it is composed of the Head, Cashiering Section Head, Accounting Section Head, Meter Reading/Billing/Collection Section Head, Bookkeeper, MRBC Officer, Work Order Officer, Bill Custodian, Meter Reader/Collector, Teller, Accounting Clerk and Billing/Posting Clerk;
- f. **TECHNICAL SERVICES DEPARTMENT (TSD):** it is composed of the Head, Distribution System Engineer, Construction Section Head, Maintenance Section Head, Pilar Sub-office Section Head, Asset Management Officer, Warehouseman, Assistant Warehouseman, Motor Pool In-charge, Lineman, Driver and Groundman;
- g. **INTERNAL AUDIT DEPARTMENT (IAD):** is composed of the Internal Auditor and Audit Staff.

1.2.1 **Statement of general function of each department:** The general functions/components of various department within the Organization of CELCO is found in the Segregation of Employees hereof.

1.2.2 **Specific functions each department:** The detailed function of each department is found in the Segregation of Employees of the submitted documents.

1.2.3 **Organizational Chart per department:** The overall organization chart of the cooperative is found in the submitted documents hereof.

1.2.4 **Description of Current Process:** The description of current process and it's flowcharts refers to the Meter Reading Process, Billing Process, Distribution of Statement of Account/Collection Process, Consumer Assistance/Complaints Process, Notice and Disconnection Process, Procurement Process, Reconnection Process, Service Connection Process found in the submitted documents.

2. **DETAILS OF BUSINESS SEGMENT:** The cooperative in the unbundling of its business segment will adapt four (4) out of seven (7) business segments, as follows:

A. Distribution Services (DS) - This segment comprises the provision of distribution services, namely:

- a. The conveyance of electricity through the 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);

- b. The provision for Ancillary Services (if any) that are provided using assets which form part a Distribution System (an example of such Ancillary Services is services provided by a series reactor or a static var compensator);
- c. The planning, maintenance, augmentation and operation of the Distribution System;
- d. The provision, installation, commission, testing, repair, maintenance and reading of WESM-related meters that are not also used to measure the delivery to end-users or other customers; and
- e. The Billing, collection and the provision of customer services that are directly related to the delivery of electricity to end-users or that relate to the connection of such persons to a Distribution System (whether such services are provided to those end-users or to any other person).

The assets included in this Business Segment are all the facilities and assets used to provide the distribution services referred to in Section 4.4.3 (including support plant and other plant and equipment used in connection with the conveyance of electricity through the Distribution System, safety, control and data transmission equipment use to control and monitor the conveyance of electricity through the Distribution System, and WESM-related distribution load and supply meters where these are not also used to measure the delivery of electricity to end-users or other customers). The liabilities included in this Business Segment are all the liabilities which are incurred, to provide the services or undertake the activities referred to in Section 4.4.3.

Revenues include all revenues derived from the provision of the distribution services referred to in Section 4.4.3, as well as revenues derived from the sale of related facilities, plant or assets. Revenues include those used to reduce distribution wheeling charges under Section 26 of the EPIRA, which must be separately identified.

Costs include all costs associated with the management, maintenance and operation of Distribution System facilities and other assets in order to provide the distribution services referred to in Section 4.4.3, and the depreciation of the assets referred to in Section 4.4.4.

B. Distribution Connection Services (DCS) – This segment comprises the provision of distribution connection services, namely:

- a. The provision of capability at each Connection Point to a Distribution System to deliver electricity to or to

take electricity from the Connection Point, and the conveyance of electricity from the Connection Point, and the conveyance of electricity;

- a.1 From the facilities of persons which are directly connected to the Distribution System;
- a.2 From the Connection Point to the facilities of persons which are directly connected to the Distribution System;
- a.3 Planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and
- a.4 Provision of other services that support any of the above services.

C. Regulated Retail Services (RRS) – the sale of electricity to end-users who are included in the Captive Market; the billing and collection and the provision of customer services to end-users; Energy trading, including the purchase of electricity and hedging activities; and the Sale of electricity to end-users who are included among the Captive Market;

- c.1 Billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers;
- c.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
- c.3 Sale of electricity to end-users who are included on the Captive Market

D. Related Business Services (RBS) – the provision of all other services, and carrying out of all other activities that utilize distribution assets, facilities or staff;

- d.1 Electricity related services such as the construction and maintenance of customer installations and
- d.2 Non-electricity related services such as telecommunications services.
- d.3 We are into transformer rental which is also seldom.

[2.2] **Segregation of Employees** - the cooperative segregation of employees is already contained in the cooperative Structure and the Description of Function found in Sub Section 2.2 which include the Plantilla of positions allocated based on payroll allocation factor;

[2.3] **Description of Assets** – The description of assets is found in Sub-Section 2.3. The assets of CELCO is allocated into different business segments thru the Asset Allocation factor as stated in the ACAM approved by ERC.

3. ACCOUNTING SEPARATION: CELCO shall adopt the principles from the approved Accounting Cost Allocation Manual (ACAM) for Electric Cooperatives in achieving its intention to separate the accounts per business segments.

3.1 BASIC ACCOUNTING PRINCIPLES – CELCO intends to present financial statements with the following frameworks, concepts, characteristics, and assumptions such as understandability, relevance, reliability, comparability, materiality, consistency, going concern, accrual, etc.

3.2 REPORTING PRINCIPLES – CELCO shall present true and fair view of financial position, performance, and changes in the financial position of the coop.

3.3 ALLOCATION PRINCIPLES – To the extent possible, CELCO shall allocate the revenues and costs to the 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.

3.4 CHART OF ACCOUNTS – CELCO will adopt the approved Accounting Cost Allocation Manual (ACAM) for Electric Cooperatives which covers the accounting process involving documentation, recording, classification, interpretation and analysis of financial reports. The chart of accounts establishes the general ledger and subsidiary ledger accounts to be used by the EC.

3.5 AUDIT REQUIREMENTS – In accordance to Article 2.8, Audit Requirement of the Approved Business Separation Guidelines (as amended), CELCO shall comply and commit to submit an audited Accounting Separation Statements duly signed and dated by an external auditor following the format provided in the guidelines. Furthermore, the cooperative shall likewise observe the provision under Article 5 Other Requirements Related to Business Separation particularly, 5.1, 5.2 and 5.3 of the approved BSG (as amended) as deemed appropriate.

4. DESCRIPTION OF SEPARATION

4.1 GENERAL STRUCTURE PER BUSINESS SEGMENT: The business segment of CELCO is composed of a) Distribution Services; b) Distribution Connection Services; c) Regulated Retail Services; d)

Regulated Business Services; and e) Last Resort Supply Services.

4.2 DETAILED STRUCTURE PER BUSINESS SEGMENT: This sub-section presents the detailed structure and functions of each business segment stated in Sub-section 4.1 above;

4.3 DETAILED STRUCTURE PER DEPARTMENT: This Sub-section presents in detail the various department of CELCO.

5. MILESTONE AND HIGHLIGHTS

March 16-17, 2011	Conference Workshop on the Revised Accounting Cost Allocation Manual (ACAM) held at Jade Valley Restaurant, Quezon City
February 29, 2012	Expository Presentation on the Proposed Accounting and Cost Allocation Manual (ACAM) held at Cebu Business Hotel, Cebu City
March 21, 2012	Public Consultation for ERC Case No. 2011-008 RM entitled "In the Matter of the Petition for the Adoption of the Proposed Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives" held at Rajah Park Hotel, Cebu City
June 14-15, 2012	Orientation on the Business Separation and Unbundling Plan (BSUP) held at Rajah Park Hotel, Cebu City
October 23-26, 2012	Seminar Workshop on Business Separation and Unbundling Plan held at Rajah Park Hotel, Cebu
January 26, 2016	Submission of BSUP to ERC for comments
February 13, 2016	Submission of BSUP to the Board of Directors for its approval
February 16, 2016	Second Evaluation of BSUP by ERC
August 12, 2016	Third Evaluation of BSUP by ERC
October 13, 2016	Filing of the BSUP with the ERC

Upon approval, trainings will be conducted to the employees involved in the implementation of BSUP.

6. PROGRAMS FOR CODE OF CONDUCT: Pursuant to Section 36 of Republic Act No. 9136 known as the Electric Power Industry Reform Act of 2001 and Rule 10.1 of the Implementing Rules and Regulation:

a. We shall implement the unbundling requirements of Section 36 of the EPIRA and Rule 10 of the Implementing Rules and Regulation issued pursuant to that Act (the IRR), namely to unbundle distribution and supply activities and to have a clear separation of operation and accounts between regulated and non regulated business activities;

b. We shall implement the requirements of Sec 26 of the EPIRA and Rule 7 Sec 5 of the Implementing Rules and Regulation that separate audited accounts be maintained for each related business undertaking in order to ensure that the distribution business conducted by the cooperative neither subsidized in any way such business undertaking nor encumbers its distribution assets in any way to support such business;

c. We must ensure that the cost of regulated services and activities are allocated on a fair and reasonable basis and reflect the efficient cost of the respective service and activities; and

d. Monitor compliance with the prohibition on cross-subsidies contained in the Business Separation Guidelines.

5. The Accounting and Cost Allocation Manual (ACAM) has been prepared and formulated in accordance with the guidelines issued by this Commission attached to the Application and partly incorporated in the BSUP for approval by this Commission; and

6. CELCO prays of this Commission that after due notice and hearing, the BSUP and the ACAM of Camotes Electric Cooperative, Inc. (CELCO), which are attached to the Application be approved.

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

Finding the said *Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **30 August 2017 (Wednesday) 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.

Accordingly, CELCO is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of nationwide circulation in the Philippines, with the date of the publication 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*, the 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 the 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 the 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*, the 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 the 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
- 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.

CELCO 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, 21 June 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
Officer-In-Charge of the ERC

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Copy Furnished:

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4. Office of the Commission on Audit
Don Mariano Marcos Avenue, Diliman, Quezon City
5. The Committee On Energy
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City
6. The Committee On Energy
House of Representatives
Batasan Hills, Quezon City
7. Office of the Municipal Mayor
Poro, Camotes Island, Cebu
8. Office of the Local Government Unit (LGU) legislative body
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9. Office of the Municipal Mayor
San Francisco, Camotes Island, Cebu
10. Office of the Local Government Unit (LGU) legislative body
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17. Philippine Chamber of Commerce and Industry (PCCI)
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