

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
9136 AND RULE 10 OF ITS
IMPLEMENTING RULES AND
REGULATIONS**

ERC CASE NO. 2014-017 MC

**ZAMBOANGA DEL SUR I
ELECTRIC COOPERATIVE, INC.
(ZAMSURECO I),**

Applicant.

X ----- X

DOCKETED
Date: JUL 21 2014
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on February 27, 2014, Zamboanga Del Sur I Electric Cooperative, Inc. (ZAMSURECO I) filed an application for approval of its Business Separation and Unbundling Plan (BSUP) pursuant to Section 36 of Republic Act No. 9136 and Rule 10 of its Implementing Rules and Regulations.

In the said application, ZAMSURECO I alleged, among others, that:

1. It is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at J. S. Alano Street, Pagadian City, Zamboanga del Sur;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the

Municipalities of Tambulig, Molave, Mahayag, Dumingag, Josefina, Aurora, Ramon Magsaysay, Sominot, Tukuran, Labnagan, Dumalinao, Tigbao, San Pablo, Guipos, San Miguel, Lapuyan, Margosatubig, Vincenzo Sagun, Dinas, Dimataling, Tabina, Pitogo, Province of Zambonga del Sur and Don Victoriano, Province of Misamis Occidental;

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 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 of its Implementing Rules and Regulations (IRR), the Honorable 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, it is submitting herewith 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. Its proposed BSUP is composed of and divided into the following sections, to wit:

SECTION I. DETAILS OF CURRENT STRUCTURE

a) CORPORATE PROFILE

It was organized and registered with the National Electrification Administration (NEA) on August 25, 1972 as a non-stock, non-profit electric cooperative by virtue of PD 269, as amended by PD 1645.

As a public utility, it performs under its vision, mission, and operational goal public service functions in the conveyance of electricity to the general public in its franchised area of Zamboanga del Sur, covering the component cities of Pagadian City and municipalities of Tambulig, Molave, Mahayag, Dumingag, Josefina, Aurora, Ramon Magsaysay, Sominot, Tukuran, Labangan, Dumalinao, Tigbao, San Pablo, Guipos, San Miguel, Lapuyan, Margosatubig, VincenzuSagun, Dinas, Dimataling, Tabina, Pitogo and Don Victoriano of Misamis Occidental. The one (1) City and the twenty three (23) Municipalities are all energized as to date.

b) CORPORATE STRUCTURE

Its present organizational structure which has been existent since 2001 is divided into five (5) main departments aside from the General Membership, Board of Directors and Office of the General Manager briefly described as follows:

1. General Membership

The General membership is composed of all the member-consumers of the cooperative.

2. Board of Directors

The Members of the Board of Directors are qualified member-consumers elected from the respective Districts comprising the franchise area of the cooperative.

3. Office of the General Manager

The Office of the General Manager is composed of 3 offices namely; the General Manager's Office, System Loss reduction division and Staff Assistant.

4. Internal Audit Department

The Internal Audit Department comprises the Internal Auditor and Audit Staff.

5. Electronic Data Processing (EDP)

The Electronic Data processing is composed of one (1) Division the Consumer Accounting Division (CAD) and under the said division are the Meter Reading &

Disconnection Section (MRDS), Billing Section (BS) and the Collection Section (CS).

6. Finance Services Department (FSD)

The Finance Services Department is composed of the General Accounting Division and consists several sections such as the Cashiering, Budget Section and Warehouse Section.

7. Institutional Services Department (ISD)

The Institutional Services Department is composed of two (2) divisions, the Member Services Division and Human Resource Division. Member Services Division is handling the Member Consumers (Outside Customers) and Human Resource Division is handling the coop personnel.

8. Technical Services Department (TSD)

The Technical Services Department is composed of the Planning and Design Division and System Operation Division.

9. Area Sub-Offices

It has three area offices namely Area 1 Sub-Office located at Switch, Ramon Magsaysay, Zamboanga del Sur; Area 2 Sub-Office located at J.S. Alano Street, Pagadian City; and Area 3 Sub-Office located at Poblacion, San Miguel, Zamboanga del Sur.

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

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

3. Office of the General Manager (OGM)

It is responsible in the overall planning, organizing, directing, controlling, and coordinating with the different departments of all activities, programs, and projects of the cooperative. Ensures the implementation of the NEA-approved policies and guidelines, other governing laws, rules, and regulations. Plans and/or reviews and approves feasibility of projects. Sees to it that all coop planned and approved targets, activities, and projects are accomplished accordingly and efficiently. Submits reports to NEA and the Board of Directors.

4. Internal Audit Department (IAD)

Reviews, verifies, appraises, and evaluates all coop transactions, projects, system, and procedures to ascertain compliance to the policies and guidelines. Responsible for the safeguard and verification of the existence of all coop assets.

5. Finance Services Department (FSD)

Responsible in the development and implementation of financial policies, programs, plans and actions through the exercise and implementation of sound, relevant, and effective financial programs, plans, policies, decision, and actions through the exercise of good advisory and the submission of timely and comprehensive verbal and written reports. Responsible of handling cash receipts and deposits and renders daily and periodic reports. Responsible for consolidating department budgets and finalizing the overall EC budget based on management short term and long term objectives. Also, responsible for the proper implementation, monitoring and control of the approved annual budget, as well as keeping management regularly informed as to the level of utilization. Responsible for the cooperative warehousing functions and provide an accurate inventory.

6. Institutional Services Department (ISD)

The Institutional Services Department is responsible in the organizational development and evaluation of organizational structure and personnel administration. Handles the institutional development of the members and the employees of the cooperative. Ensures the effectiveness and success of annual membership meetings, information campaigns, district elections, trainings, and seminars. Responsible in the proper implementation of programs and projects on consumer housewiring and proper use of electricity, special projects, and BAPA operation. Prepares policies, rules, and guidelines on work improvement and procurement system for the approval of the Board of Directors and the General Manager. Ensures the efficiency and effectiveness of the motorpool and general membership services. Submits an up-to-date and accurate report as required by NEA/ERC and the General Manager.

7. Technical Services Department (TSD)

The Technical Services Department is responsible in the preparation of the annual budget of the department and the workplan of the cooperative. Responsible in the planning and design of the distribution system of the cooperative in accordance with approved workplan and technical standards to provide a safe, adequate, reliable and economical electric service to the member-consumers within the coop service area. Prepares 5/10 years work plans in collaboration with the FSD for the supply of materials and equipment for line expansion, rehabilitation, upgrading, and system's loss reduction. Submits accurate and up-to-date reports when required by NEA and the General Manager.

8. Area Sub-Offices

The Area Office is divided into three areas, to wit; the Area-1 Sub-office, Area 2 Sub-Office and Area 3 Sub-Office.

The Area Office plans and formulates area office activities in accordance with policies and programs. Area Offices is an extension office for cashiering, billing, collection, line maintenance of cooperative distribution system and

member consumer services except the services of accounting and personnel division.

d) DESCRIPTION OF CURRENT PROCESS

1. Application for New Applicant/ Member

The applicant shall present all the necessary requirements needed to the Member Services Division through the Member Services Division (MSD) Clerk/ MSD Aide at the Action Center. After which he shall fill-up a pre-application form. The said applicant shall undergo a proper screening to check the veracity of the submitted documents. If all requirements were satisfied, the application will be forwarded to the Line Inspector to actually check the line connection from the tapping pole to the house to be energized. This is to check whether it is in accordance with the standards set forth by the Coop. If the Line Inspector recommends for the approval of the application, then the applicant will be advised to have the final Service Application in which all other requirements will have to be submitted. When all requirements are submitted, payments will be made to the teller. Then Connect Orders will be executed by the Consumer Services Assistance Section (CSAS) Head/Member Services Aide where all data entry will be filled-up. Said Connect Order will be forwarded to the Service Dropping Crew for energization. Connect Order will be returned to the CSAS to update the date of execution of the job order to be posted to the master button. Finally, it will be posted to the master file.

2. Consumers' Complaints/ Requests

Consumers shall approach the MSD Clerk/MSD Aide to report any complaints or should they have any request. The Service Memo will be filled-up and printed by the attending MSD Aide/ MSD Clerk containing all the data given by the consumer. It will then be submitted to the Maintenance Lineman for inspection. The Maintenance Lineman will then give report as to these findings and recommendations or any action he had taken.

For request from consumers such as Change Meter, Meter Calibration, or Pole Metering, after the inspection of the Maintenance Lineman, the consumer will then be

given the necessary requirements which he needs to submit completely. After which, he shall pay the necessary fees to the teller. The CSAS Head or the MSD Aide will execute the connect orders and which will contain the location info, meter info, findings, recommendations signatories and entry of fees if there is any. The connect order will be dispatched to the Metering Section for proper action. After which, the Metering lineman assigned will submit his accomplishment to the MSD. The order will then be updated as to its date of execution and other necessary information. It will then be posted to the Master file.

3. Application for Large Load Consumer

Large load consumers may apply for service connection especially those for Industrial and Commercial Consumers and they have to follow the standard process set forth. Firstly, they have to the requirements to the MSD Clerk-MSD Aide and after which it will be forwarded to the Tech. Services Dept. through the Resident Electrical Engineer (REE) or the Area Manager for site inspection.

If upon the site inspection, it was determined that extension of line is not needed, the Line Inspector, District Line Supervisor (DLS) or REE will conduct the load evaluation, computation of deposits, materials and other charges for the installation of transformer. Then the Metering Section will evaluate the KWH Meter use. Then the Power Supply Contract Agreement will be signed through the Member Services Division (MSD) Chief. Job Orders will then be prepared also by the MSD. The DLS/REE will conduct a re inspection of the site if needed at the same time a schedule will be set for installation of transformers and accessories. The Metering Section Head and Crew will conduct the final installation of Meter and accessories.

If however, upon inspection, an extension line is needed, it will undergo firstly, a computation of labor and materials and other charges of as plan for extension of line by the Survey and Staking Section of the TSD. Then payment of the estimated construction cost to the cashier and the construction of the Line by the Construction Crew and Operation and Maintenance Section. When the construction of the line has been undertaken, then the

process from the evaluation of load computation of deposits and etc., up to the installation of the Meters and Accessories will follow.

4. Meter Reading and Billing Process

After the formulation and approval of the billing rates reading and billing procedures will then be prepared for the preparation of consumers Meter Reading and Billing process. Meter Reader and Disconnectors (MRDs) and Deputized Meter Readers (DMRs) will then perform the meter reading on the whole area coverage wherein they will be assigned per route. The Meter Reading will either be in two ways, the Manual, which is the read and bill reading and the Automation, using the EMR 2000 Gadget. DMRs and MRDs will submit their output to the Billing Section for encoding by the billers. Notice of Disconnection will be printed by the Billing Head /Billers for accounts unpaid after due date. Collection Head, Tellers, Collection Agents/ and Deputized Collectors will collect/ receive payments from consumers. Delinquent consumers will be served with notice of disconnection by the Collection Head/ Billers or the MRDs. Summary of delinquent consumers will be determined for disconnection by the Collection Head or Billers. MRD Head/ MRDs or linemen will finally execute the disconnection of delinquent consumers.

5. Collection Remittance and Deposit Process

Upon the receipt of their electric bills Member Consumers may tender their payment to Tellers or to the Cashier. At the end of the day, Tellers will print the Daily Collection Report (DCR) and submits the same to the Collection Head. The Tellers will remit the corresponding cash to the Cashier. DCRs of Collection Agents and will be prepared by the Bill Custodian and he will submit the same to the cashier. He will also remit the collection of the Collection Agents to the Collection Head. The Cashier, upon receipt of the remittances issues the corresponding Official Receipt. He then prepares the deposit slip and have the cash deposited to the bank. When the bank validates the deposit slip, the cashier prepares the Cashiers Daily Position Report (CDCR) and the Daily Cash Position Report (DCPR). He then submits the CDCR and DCPR to the Internal Audit through the Internal Audit Manager and the Audit Staff for Finance for validation. The

General Accounting Division Chief will check and post the DCPR and CDCR.

6. Disconnection and Reconnection Process

All consumers who fail to pay their on the due date shall be considered delinquent accounts and will be subjected to disconnection of their electric service. Disconnection is effected after the proper issuance and receipt by the consumers of the forty-eight hour (48) notices as mandated under the magna carta for residential consumers. The Disconnection Order will be issued by the Consumers' Account Division Chief (CAD). It will be distributed to the Member Consumers through the MRDs. The MRDs will then submit a report on the disconnected Member-Consumers. MRDs then receive payment from delinquent consumer to Teller and make a reconnection order. The Maintenance Crew will receive the reconnection order and reconnect the member consumer. He will then submit a report of reconnected consumers to to the Billing Encoders for posting.

7. Procurement Process for CAPEX

Procurement for Capital Expenditures (CAPEX) starts with the preparation of the Requisition/ Issue Voucher (RIV) by the requisitioner to be submitted to the TSD Manager who will evaluate and recommend the same for approval. After which, the Finance Manager will certify the availability of funds on the Cash Operating Budget. The General Manager will then finally approve the Requisition Issue Voucher (RIV).

Upon approval of the Requisition Issue Voucher (RIV) by the General Manager, if the amount of the requested Materials exceeds Five Hundred Thousand Pesos (PhP500,000.00), then it shall undergo the proper bidding following the R.A. 9184 (Government Procurement Guidelines) as process firstly by advertising an invitation to bid in a newspaper of general circulation. Then a pre-qualification and pre-bid conference will be conducted by the Bids and Awards Committee. The Bid Documents will then be prepared by the bidders/suppliers. The Bids and Awards Committee will then schedule the Public Bidding or Opening of Sealed Bids with bidders and suppliers. In case of failure of the Pre-bid conference, the Bids and Awards Committee will post again and invite prospective

bidders. In case of a successful bidding, the Bids and Awards Committee will receive, open and recommend the awarding of bids to winning suppliers/ contractors. The Bids and Awards Committee will then prepare the Purchase or Job Order which will be Pre-Audited by the Internal Audit Department. Then the General Manager will finally approve the same and the materials will be purchased to the winning supplier/contractor.

8. Procurement Process for Non-CAPEX

Purchases below PhP500.00 will undergo direct purchases. For those purchases exceeding PhP500.00 up to PhP499,000.00, upon approval of the Requisition Issue Voucher (RIV) by the General Manager, the designated canvassers per department shall do the canvass from at least three (3) suppliers. He shall then prepare the Abstract of Canvass in comparison to the prices and the availability of materials. The Purchasing Officer will then prepare the Purchase Order/ Job Order which will be pre-audited by the Internal Audited Department and Finance Department for the availability of funds. The General Manager will finally approve the Purchase Order (PO) and finally the materials will be purchased to the winning supplier.

SECTION II. DETAILS OF BUSINESS SEGMENTS

In accordance with the provisions of Business Separation Guidelines as amended, it adopts seven (7) distribution business segments. These segments are further classified into Regulated and Non-Regulated business segments, and identified as follows:

a) DISTRIBUTION SERVICES BUSINESS SEGMENT

This segment has the following distribution services:

1. The conveyance of electricity through the cooperative's Distribution System and the control and monitoring of electricity as it is conveyed through its 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 the cooperative'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; and
 - 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 the cooperative 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;
3. The sale of electricity to end-users who are included on the Captive Market of the cooperative; and
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.

e) LAST RESORT SUPPLY BUSINESS SEGMENT

This segment comprises the provision of Supplier of Last Resort (SOLR) services provided by the cooperative, namely: services pertaining to the sale of electricity to SOLR Customers, including billing, collection and the provision of basic customer service.

f) NON-REGULATED RETAIL SERVICES

This segment comprises the provision of non-regulated retail services provided by the cooperative, namely: services pertaining to the sale of electricity to end-users who are included in the contestable market or to other customers who are not end-users and includes:

1. Billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers; or to such other customers in their capacity as purchasers of electricity;
2. The sale of electricity to end-users who are included in the contestable market or to other customers who are not end-users; and
3. 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 in the contestable market or to other customers who are not end-users.

g) WHOLESALE AGGREGATION

This Segment comprises the Distribution Utility's service of purchasing electricity in bulk and selling this to other Distribution Utilities.

This segment comprises the provision of Wholesale Aggregation services provided by a Distribution Utility, Namely services pertaining to the sale of electricity to other Distribution Utilities including billing, collection and the provision of basic customer service.

Its BSUP presents a detailed Segregation of Employees per Department as well as an allocation of its assets to the appropriate business segments in which they are utilized.

SECTION III. ACCOUNTING SEPARATION

It 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
- e) Requirement for Audit
- f) Other Requirements (Article V)

SECTION IV. DESCRIPTION OF SEPARATION

As of the filing of the instant application, it 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.

Its BSUP presents a diagrammatic presentation of the following:

- a) General Structure Per Business Segment ;
- b) Detailed Structure Per Business Segment ; and
- c) Detailed Structure Per Department

SECTION V. MILESTONES AND HIGHLIGHTS

Details its milestones and highlights are documented in the BSUP.

SECTION VI. PROGRAM FOR CODE OF CONDUCT

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

7. It is submitting as annex to the BSUP an Accounting Separation Statements prepared in accordance with the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives, based on its Audited Financial Statements for the Year 2011;
8. It is likewise submitting in support of the instant application, for the Commission's consideration and approval, a set of Confidentiality Policies and Guidelines to be observed by concerned personnel, 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); and
9. Finally, it prays that instant application be approved after due notice and hearing.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **August 27, 2014 (Wednesday) at two o'clock in the afternoon (2:00P.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirement of the ERC Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and the title of the proceeding and stating:(1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 14th day of July, 2014 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III


LBB/NJS