

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. 2015-023 MC

**MISAMIS OCCIDENTAL II
ELECTRIC COOPERATIVE,
INC. (MOELCI II),**

Applicant.

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D O C K E T E D

Date: APR 14 2015

[Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on May 22, 2015, the Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) filed an application for the 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 (IRR).

In the said application, MOELCI II alleged, among others, that:

1. It is an Electric Cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines. It has its principal office at Circumferential Road, Bitoon, Ozamiz City, Misamis Occidental;

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 Cities of Tangub and Ozamiz and the Municipalities in the Province of Misamis Occidental, namely; Bonifacio, Clarin, Tudela, Sinacaban, Jimenez and Panaon;
3. Section 36 of Republic Act No. 9136 (R.A. 9136), otherwise known as the "*Electric Power Industry Reform Act of 2001*" or the 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 10 of its Implementing Rules and Regulations (IRR), the Commission promulgated Resolution No. 49, Series of 2006 or the "*Business Separation Guidelines, as Amended*" and Resolution No. 07, Series of 2012, adopting the Accounting Cost Allocation Manual (ACAM) for Electric Cooperatives;
5. In compliance with the foregoing requirements, 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 the following, to wit:

I. DETAILS OF CURRENT STRUCTURE

a) Corporate Profile

It is a non-stock, non-profit EC organized on June 2, 1976 pursuant to the provisions R.A. 6038, as amended by P.D. 269. It became the 77th EC established under said decree.

Its franchise area covers six (6) municipalities namely: Bonifacio, Clarin, Tudela, Sinacaban,

Jimenez and Panaon and two (2) cities namely: Tanguib and Ozamiz City.

Status of Electrification as of December 31, 2001: Residential fifty-one thousand four hundred forty-seven (51,447); Low Voltage: Commercial - two thousand two hundred four (2,204); Public Building One thousand one hundred fifty-five (1,155); Street Lights – one hundred forty-four; High voltage: Industrial – fifty-four (54); Third Millenium- One (1).

For Financial and Statistical Report as of December 31, 2011 – its residential kWh sales for 2011 amounted to 106,696,920, as follows: Residential-50,018,253; Low voltage: Commercial-24,539,283; Public Building – 5,608,800; Street Lights – 729,017; High Voltage: Industrial – 18,732,967 kWh Sales-29,386.08; Third Millenium -7,068.

b) Corporate Structure

Its present organizational structure is divided into five (5) main departments, as follows:

- 1) Office of the General Manager (OGM) – The OGM is made up of four (4) offices, namely; the General Manager's Office, the Internal Audit Office and Cor/Plan/IT Office;
- 2) Institutional Services Department - It is composed of two (2) divisions; Member Services Division and Administrative Division;
- 3) Finance Services Department - It is composed of two (2) divisions; Finance Division and CAC Division;
- 4) Technical Services Department – It is composed of the Engineering Division, COM Division, Special Equipment and Operation Division; and
- 5) Sub-Offices –The sub-offices are the following: Bonifacio Sub-Office, Tanguib Sub-Office, Clarin Sub-Office, Tudela Sub-Office and Jimenez Sub-Office.

c) Description of Functions

1. General Membership

The General Membership functions are to vote, to participate in General and Special Meetings, to purchase from the cooperative electric energy; to comply with and be bound by the Articles of Incorporation and Cooperation and By-laws of the Cooperative, rules and regulations adopted by the Board, and requirements of the National Electrification Administration ("NEA"), and to pay the membership fee.

2. Board of Directors (BOD)

It responsible for the formulation of policies needed for the efficient and effective operation of the cooperative, as well as for public relations and for relations with government agencies.

3. Office of the General Manager (OGM)

It ensure 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 its conduct of business. It advises the Board regarding plans and projects needed for its development. It recommends appropriate actions to the board on staffing patter, 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

It 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 its properties. It ensures the development and hiring of qualified

and highly competent employees in accordance with NEA guidelines and standards.

5. Finance Services Department

It 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

It is responsible in preparing and maintaining plans, designs and specification 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.

7. MOELCI II Sub-Offices

It help ensure prompt collection of consumer power bills in the assigned area and proper handling of such. It monitors the maintenance of efficient and reliable electric service and sees to it that consumers' complaints in the area are properly attended to.

d) Description of Current Process

1) Meter Reading and Billing Process

The Meter Readers (outsourced) are responsible for the read and bill of consumers' kWh meters. The billing is done from the 18th to 26th day of the month. The kWh used will be computed by the meter reader and immediately billed to consumers. Encoding of readings in the system is performed by Data Encoders who are responsible for the accurate encoding and updating of consumer's data accounts.

2) Collection Remittance and Deposit Process

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 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

The cooperative sees to it that a delinquent consumer receives a 48-hour notice before execution of disconnection of his electric service. The process is executed by outsource on per-piece basis for the distribution of notice and cutting of electric service. Operating and Maintenance Lineman is responsible for the reconnection of the service.

4) Reconnection Process

The consumer presents his official receipt of paid bills to the Complaint Officer. The Complaint Officer will issue reconnection order and forward the same to the TSD Metering. The Metering Section Head will forward the reconnection order to the COMD and the lineman will execute the

reconnection order. The Lineman will encode the accomplishment report.

5) Handling of Complaints Process

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

6) New Connection

The consumer will submit all the required documents necessary for the Application to the MSD Coordinator. The MSD Coordinator will submit the electrical plan to the TSD Manager for evaluation. The consumer will attend information seminar. Upon approval of the membership application, the consumer will pay the installation fees and present the official receipt to the Member Development Office. The MSD Coordinator will issue the Turn On Order. The TSD manager upon approval of the turn order will instruct the COMD to prepare materials to the TSD Metering. The COMD will energize the consumer line, encode the accomplishment report and submit the report to the TSD Manager and Billing Section.

7) Procurement Process

The requisitioner will submit to the concerned department its requisition voucher. The Department Head will submit the voucher to the General Manager for approval. Upon approval, the GM will submit the request to the BOD for approval. If the item requested is less than PhP100,000.00, the Canvasser will prepare the abstract of the canvass and award the items to the supplier. If the item is more than PhP100,000.00, the Bids and Awards Committee (BAC) will prepare the invitation to bid. The BAC Secretary will publish the invitation to bid for two (2) times in two weeks. The BAC will conduct the pre-bid

conference and the bidding participants will the documentary requirements. The Accreditation Committee will check the eligibility of the bidding participants. After the bidding, the Item will be awarded to the winner bidder.

II. DETAILS OF BUSINESS SEGMENTS

It is engaged in four (4) business segments, consisting of three (3) regulated business segments, namely: Distribution Services, Distribution Connection Services and Regulated Retail Services and one (1) non-regulated business segment, the Related Businesses Segment.

A. Regulated Business Segments:

1. Distribution Services Business Segment

This segment has the following distribution services:

- a) 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).
- b) The provision of Ancillary Services (if any) that are provided using assets which form part a Distribution System
- c) The planning, maintenance, augmentation and operation of the Distribution System.
- d) 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
- e) 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

2. Distribution Connection Services Business Segment

This segment has the following distribution connection services:

- a) 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.
- b) The planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and
- c) Provision of other services that support any of the above services.

3. 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:

- a) Billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers;
- b) 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;
- c) The sale of electricity to end-users who are included on the Captive Market of the cooperative; and
- d) 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.

B. Non-Regulated Business Segment

4. 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:

- a) Electricity related services such as the construction and maintenance of customer installations; and
- b) Non-electricity related services such as telecommunications services.

Its BSUP likewise 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.

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; and
- d) Basic Accounting Principles.

IV) DESCRIPTION OF SEPARATION

As of the filing of this 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. 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.

The Cooperative's 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.

V) MILESTONES AND HIGHLIGHTS

Details of the Cooperative's milestones and highlights are documented in the BSUP.

VI) PROGRAM FOR CODE OF CONDUCT

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

Printed as well as electronic copies of MOELCI II's proposed BSUP are being submitted herewith and made integral parts hereof as Annexes "A" and "A-1", respectively.

7. It likewise submitted as annex to the BSUP the Accounting Separation Statements prepared in accordance with the Accounting and Cost Allocation Manual (ACAM) for ECs, based on its Audited Financial Statements (AFS) for the Year 2011;
8. It further submitted for the Commission's consideration and approval, a set of Confidentiality Policies and Guidance 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), attached and made integral part of the application as Annexes "B" and "C", respectively; and
9. It prays that after due notice and hearing, its proposed BSUP be approved accordingly.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **October 1, 2015 (Thursday) at two o'clock in the afternoon (2:00 P.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 requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and 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 a 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 Chairman, JOSE VICENTE B. SALAZAR, and the Honorable Commissioners, ALFREDO J. NON, GLORIA VICTORIA C. YAP-TARUC, JOSEFINA PATRICIA A. MAGPALE-ASIRIT and GERONIMO D. STA. ANA, Energy Regulatory Commission, this 17th day of August, 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III


mtco/ELONJS/MOELC12/BSUP