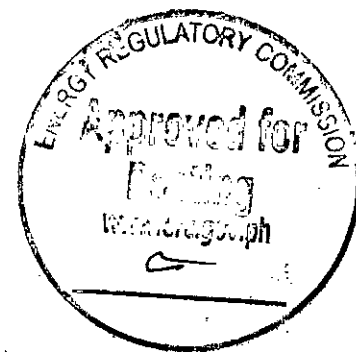


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF APPLICANT'S
(1) BUSINESS SEPARATION
AND UNBUNDLING PLAN
(BSUP) AND (2) ACCOUNTING
MANUAL (ACAM) IN
COMPLIANCE WITH
REPUBLIC ACT NO. 9136 AND
RULE 10 AND ITS
IMPLEMENTING RULES AND
REGULATIONS

ERC CASE NO. 2015-045 MC

CLARK ELECTRIC
DISTRIBUTION CORPORATION
(CEDC),

Applicant.

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DOCKETED
Date: AUG 26 2015
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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on June 19, 2015, the Clark Electric Distribution Corporation (CEDC) filed an application for the approval of its (1) Business Separation and Unbundling Plan (BSUP) and (2) Accounting Cost Allocation Manual (ACAM) in compliance with Republic Act No. 9136 and its Implementing Rules and Regulations (IRR).

In the said application, CEDC alleged, among others, that:

1. It is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines. It has its principal office at Building N2830, Bayanihan Street, Clark Freeport Zone, Pampanga, Philippines;

2. It is the holder of an exclusive franchise issued by the Clark Development Corporation (CDN) by virtue of Executive Order No. 80, to operate and maintain the power distribution system within the Clark Economic Zone and to distribute power exclusively therein;
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". Pursuant to the said mandate of the EPIRA, as well as Rule 10 of its Implementing Rules and Regulations (IRR) requires the submission of a BSUP for approval of the Commission;
4. In compliance with the aforesaid provisions of the EPIRA and the IRR, it is submitting herewith for the Commission's evaluation and approval its proposed BSUP and ACAM attached to the application as Annex "A" and Annex "B", respectively;
5. Its proposed BSUP is composed of the following sections, to wit:
 - I. Current Structure
 - II. Details of Business Segments
 - III. Accounting Separation
 - IV. Description of Separation
 - V. Milestones and Highlights
 - VI. Code of Conduct

I. CURRENT STRUCTURE

CEDC is registered with Clark Development Corporation (CDC) under the Bases Conversion and Development Act of 1992 No. 9400 [(R.A. No. 9400), as amended, superseding Section 15 of Republic Act No. 7227 (R.A. No. 7227), Section 5 of Executive No. 80 (E.O. No. 80) and Proclamation No. 163], as a Clark Freeport Zone enterprise primarily engaged in owning, operating and maintaining a power distribution system within the zone.

CEDC was incorporated in the Philippines and was registered with the Securities and Exchange Corporation (SEC) on July 30, 1997. Its SEC registration number is A199710871. Its registered

office address is Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Philippines.

II. DETAILS OF BUSINESS SEGMENTS

BUSINESS SEGMENTS

It has five (5) business segments namely: Distribution Services, Distribution Connection Services, Regulated Retail Services, Non-Regulated Retail Services and Related Businesses.

Distribution Services (DS)

This segment has the following distribution services:

- a) The conveyance of electricity through CEDC'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.

Distribution Connection Services (DC)

This segment has the following distribution connection services:

- a) The provision of capability at each Connection Point to CEDC'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 to the connection point; 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.

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 of the distribution utility 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 distribution utility; 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 of CEDC.

Non-Regulated Retail Services (NRRS)

This segment includes the sale of electricity to end-users who are included in the Contestable Market and to other customers who are not end-users and includes:

- a) 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;
- 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 Contestable Market or to other customers who are not end-users;

- c) The sale of electricity to end-users who are included on the Contestable Market of CEDC or to other customers who are not end-users; 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 Contestable Market of CEDC or to other customers who are not end-users.

It started implementing its NRRS business segment in December 2014.

Regulated Businesses (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:

- a) Provision and administration of foreign attachment; and
- b) Non-electricity related services such as processing of billings and collection of penalties or surcharges from violation of contract.

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.

IV. DESCRIPTION OF SEPARATION

It operates as a single juridical entity in the conduct of its business operations which are divided into the following business segments:

- Distribution Services
- Distribution Connection Services
- Regulated Retail Services
- Non-Regulated Retail Services (starting December 2014)
- Related Business

As a policy, it identifies and records its business activities based on the foregoing business segments. Books of accounts are maintained to ensure that activities per business segments are

separately recorded. Its business activities cover multiple business segments, allocation methodologies and policies are adopted to ensure that assets, liabilities, revenues and expenses from the business activities are reasonably allocated to specific business segments.

Further, it has expressly undertaken its compliance with the provisions of Article V of the BSG, as amended, requiring the proper use of End-user information of a distribution utility. Annex "D" for the Express Undertaking on the Compliance with Article V of the BSG, as amended.

V) MILESTONES AND HIGHLIGHTS

It commits to implement the principles and allocation methodologies as written in the ACAM. It is also committed to continuously improve its business processes to ensure proper monitoring or allocation of business activities per business segment. It will update its accounting system to ensure that the cost identification and allocation methodologies as described in the ACAM are properly implemented. This includes automating activity costing and profit center accounting.

VI) CODE OF CONDUCT

It undertakes to develop a plan to comply with the Code of Conduct for Competitive Retail Market Participants as promulgated by the Commission. Refer to Annex E for the Express Undertaking on the compliance with the code of conduct.

6. In support of the application, it is submitting the following documents, and made an integral part of the application, to wit:

ANNEX	NATURE OF DOCUMENTS
A	Business Separation and Unbundling Plan (BSUP)
B	Accounting and Cost Allocation Manual (ACAM)
C	Reconciliation between UFR/BSUP/Financial Statements

7. It prays that after due notice and hearing, its proposed BSUP and ACAM be approved accordingly.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **October 8, 2015 (Thursday) 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.**

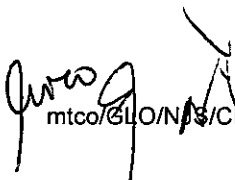
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and 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/ELON/NS/CEDC/BSUP