

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]

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that 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**

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

**1.1.4 KWH Sales**

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

**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](mailto: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  |



**ERC CASE NO. 2016-032 MC**  
**NOTICE OF PUBLIC HEARING/21 June 2017**  
**Page 9 of 11**

---

|                   |   |
|-------------------|---|
| 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.

The Commission has set the *Application* 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, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:


- i. The petitioner's name and address;
- ii. 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
- iii. 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 case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Officer-in-Charge of ERC **ALFREDO J. NON**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 21<sup>st</sup> day of June 2017 at Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal Service*