

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. NO. 9136, AND
RULE 10 OF THE
IMPLEMENTING RULES
AND REGULATIONS**

ERC CASE NO. 2016-029 MC

**CAMIGUIN ELECTRIC
COOPERATIVE, INC.
(CAMELCO),
Applicant.
X-----X**

DOCKETED
Date: APR 25 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 13 October 2016, an *Application* dated 11 October 2016 was filed by applicant Camiguin Electric Cooperative, Inc. (CAMELCO) seeking the Commission's approval/review of its Business Separation and Unbundling Plans (BSUP) and Accounting and Cost Allocation Manual (ACAM), pursuant Section 36 of Republic Act No. 9136, otherwise known as "Electric Power Industry Reform Act of 2001" (EPIRA) and Rule 10 of its implementing rules and regulations.

CAMELCO alleged the following in its Application:

1. That Camiguin Electric Cooperative Inc., (CAMELCO) 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 Pandan, Mambajao, Camiguin and represented herein by its General Manager, Adriano A. Ebcas, also with office address located at Pandan, Mambajao, Camiguin ;

2. That CAMELCO 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 City/Municipalities, as follows: Mambajao, Catarman, Guinsiliban, Sagay and Mahinog, all in the province of Camiguin;
3. That pursuant to the provision of Section 36 of R. A. 9136 and Rule 10, Section 3(b) of the Implementing Rules and Regulations, 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. That 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, herein applicant hereby submit its BSUP containing the following:

Proposed BSUP:

I- Details of Current Structure

I.1 EC PROFILE

I.1.1 EC Background: The Camiguin Electric Cooperative Inc. was organized on December 28, 1977 and was thereafter issued a Certificate of Franchise by the National Electrification Administration on November 23, 1983 pursuant to the provision of P.D 269 as amended by P.D. 1645.

I.1.2 Coverage Area: The area coverage of Camiguin Electric Cooperative as per its Certificate of Franchise are as follows: Mambajao, Catarman, Sagay, Guinsiliban and Mahinog, all in the Province of Camiguin;

I.1.3 Profile of Customer Served: The cooperative is categorized as Large electric cooperative with a total number of member-consumers as follows: a) Commercial 898; b) Residential 19,437; c) Street Lights 73; d) Public Building/Government 543;

I.1.4 Sales/Demand: Total average Monthly sales in KWH is 1,413,268 with an average demand of 44,722;

I.1.5 Number of Employees; As of 2015, the cooperative has the following number of employees: a) Regular 51; b) Casual 13; c) Contractual 7; d) Probationary 8

I.2 ORGANIZATIONAL Structure: As of 2015, the cooperative is divided into 5 departments as follows: a) Office of the General Manager with 4 number of employees;

b) Technical Department with 18 number of employees; c) Institutional with 12 number of employees; d) Finance Department with 14 number of employees and e) Sub-Office with 3 number of employees;

1.2.1 Statement of General function of each department: a) Office of the General Manager is responsible for the over-all management of the operation of the cooperative; b) Technical Department is responsible in providing assistance to the General Manager on programs, plans, and specification in the areas of engineering and systems operations and supervising the functions of engineering, operations, maintenance and construction; and financial concerns etc.

1.2.2 Specific functions each department:

MEMBER-CONSUMERS

- In a General Assembly, act as the highest governing body of the cooperative
- Elects the Members of the Board of Directors
- Approves the minutes of previous Annual General Membership Assembly (AGMA)
- Approves the reports of the Board of Directors and of the General Manager
- Determines and approves amendments to the Articles of Corporation and By-Laws of the cooperative
- Recommends plans and procedures through a resolution
- Clarifies adopted policies and procedures

BOARD OF DIRECTORS

As a collegial body as -

- Acts as the policy making and governing body of the cooperative
- Meets regularly at least twice a month to conduct business
- Determines the ideals, sets the objectives and major goals of the cooperative
- Selects and employs a competent General Manager and delegates to him/her the responsibilities and authority to operate the cooperative
- Reviews and approves the comprehensive operating programs of services, activities, personnel and budgets developed and recommended by the General Manager
- Sees that the cooperative and its representatives comply with the laws, rules and regulation, policies and other legal requirements
- Ensures the viable operation of the cooperative and determines remedial changes and corrective actions where necessary
- Selects and hires competent consultants such as legal

counsel and independent certified public accountants to help them in making sound and just decisions.

OFFICE OF THE GENERAL MANAGER

The Office of General Manager (OGM) is comprised of an Executive Secretary, a Quality Management and System Audit Officer, a Board Secretary/Recorder, a GM's Driver and a GM's Staff with an Outsourced Services of a Legal Counsel, a Technical Consultant, a Financial Consultant and a Staff under the Quality Management and System Audit Officer.

The Office of the General Manager is responsible for the over-all management of the operation of the cooperative. It ensures the implementation of NEA approved policies and guidelines, cooperative laws, rules and regulations as provided by the EPIRA. Further, the OGM also plans feasibility studies on projects and sees to it that all cooperative's planned targets, activities and projects are accomplished accordingly and efficiently.

FINANCE SERVICES DEPARTMENT

The Finance Services Department (FSD) is responsible for the development and for the maintenance of the cooperative's accounting in accordance with the uniform system of accounts prescribed by NEA, the management and control of the systems financial affair in accordance with the operations and internal control systems; formulation and implementation of sound, relevant and effective financial programs, plans, policies, decisions and actions through the exercise of good advisory judgment in the submission of timely and comprehensive verbal and written financial reports.

The FSD also is responsible for all the over-all effective discharge of financial activities, particularly along the areas of billing, meter reading, collection, disconnection, general and cost accounting, cashiering, bookkeeping and budgeting.

INTERNAL AUDIT DEPARTMENT (IAD)

The Internal Audit Department (IAD) is responsible for the safety and security of the cooperative and properties, reliability of accounting records, effective internal control and necessary measures towards operational efficiency. IAD also is responsible for the veracity and authenticity of financial transactions and the accuracy and reliability of financial reports. Responsible for the strict implementation of internal control systems and procedures to promote operational quality and efficiency. Responsible to monitor/examine/analyze/evaluate technical system and operation, policies and guidance in accordance with NEA and Coop standards.

INSTITUTIONAL SERVICES DEPARTMENT

The Institutional Services Department (ISD) is responsible for good corporate image, advocacy, networking and well-coordinated coop affairs and conducive working environment. Responsible for a sanitized/updated membership roster, education, promotion and development towards the wise usage of electricity.

HUMAN RESOURCE /ADMINISTRATIVE DEPARTMENT

The Human Resource/Administrative Division (HRAD) is comprised of three (3) supervisory levels: Human Resource Management Supervisor, General Services Supervisor and Warehouse Supervisor. It administers effective implementation of policies for employee discipline and welfare. It is responsible for planning, directing, coordinating and supervising the organization's development and evaluation of the organizational structure work procedure, techniques and personnel administrations. It is also responsible for developing warehouse security measures pertaining to all properties of the coop in the warehouse, materials and equipments, vehicle utilization and fixture maintenance.

HRAD is responsible in the efficient and effective programs on employees learning and growth, welfare, benefits and culture of excellence to promote operational efficiency. Further, HRAD ensures safety, healthy working environment and welfare of employees.

TECHNICAL SERVICES DEPARTMENT

The Technical Services Department (TSD) is responsible in providing assistance to the General Manager on programs, plans and specification in the areas of engineering and systems operations and supervising the functions of engineering, operations, maintenance and construction.

TSD also is responsible for the effective plans and designs towards optimum utilization of assets and network system in providing safety, power quality, reliable and efficient electrical services in accordance to the Philippine Distribution/Grid Code and Philippines Electrical Code.

SERVICE AREA I & II DEPARTMENT

The two (2) Service Areas are responsible for the efficient and effective management of operation to ensure attainment of coop goals and targets particularly on new connections, collections, disconnections, reconnections handling customer complaints, image building of the coop and reliable services within the service areas.

I.2.3 Organizational Chart per department: copy of which is hereto attached as **Annex "A"**

I.3 DESCRIPTION OF CURRENT PROCESS: copy of which is hereto attached as **Annex "B"**

II- Details of Business Segment:

In accordance with the provisions of the Business Separation Guidelines as amended, the **CAMIGUIN ELECTRIC COOPERATIVE, INC. (CAMELCO)** has adopted the definitions and description of the Distribution Activities including the relevant business segments for the Electric Cooperatives based on Article IV of the BSUP (*as Amended*):

II.1 DISTRIBUTION AND RELATED ACTIVITIES BUSINESS SEGMENTS

Under the Distribution and Related Activities Business Segments, of the seven (7) Business Segments stipulated in the Approved ACAM, CAMELCO adopts only four (4) distribution business segments. These segments are further classified into Regulated Business Segments. Below is the description of each business segments:

Regulated Business Segments:

2.1 Distribution Services Business Segments (DS)

This segment has the following distribution services:

2.1.1 The Conveyance of electricity through a 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).

2.1.2 The Provision of Ancillary Services (if any) that are provided using assets which form part of the Distribution System (an example of such Ancillary Services is services provided by a series reactor or a static bar compensator);

2.1.3 The Planning, maintenance, augmentation and operation of the distribution System.

2.1.4 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

2.1.5 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

(whether such services are provided to those end-users or to Suppliers or to any other person).

The assets included in this Business Segment are all the facilities and assets used to provide the distribution services of this particular business segment.

The liabilities included in this Business Segment are all the liabilities incurred directly or a relevant share of the shared liabilities which are incurred to provide the services or undertake the operational activities of this particular business segment.

Revenues include all revenues derived from the provision of the distribution services, including revenues derived from the sale of related facilities, plants or assets.

Costs include all costs associated with management, maintenance and operation of Distribution System facilities and other assets in order to provide the distribution services of this particular business segment.

2.2. Distribution Connection Services Business Segments (DCS)

This segment has the following distribution connection services:

2.2.1 the Provision of capability at each Connection Point to a Distribution System to deliver electricity or to take electricity from the Connection Point and the conveyance of electricity;

2.2.2 from the facilities of persons which are directly connected to the Distribution System;

2.2.3 from the Connection Point to the facilities of persons which are directly connected to the Distribution System;

2.2.4 the planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and

2.2.5 The Provision of other services that support any of the above services.

The assets included in the Business Segment are all the facilities and assets used to provide the distribution connection services of this particular business segment.

The liabilities included in this Business Segment are all the liabilities incurred directly or a relevant share of the shared liabilities incurred to provide the Services or undertake the activities of this particular business segment.

Revenues include all revenues associated with providing the distribution connection services, including the corresponding depreciation of the Distribution Connection Assets.

2.3 Regulated Retail Services Business Segments (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, and includes:

2.3.1 Billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers;

2.3.2 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

2.3.3 Sale of electricity to end-users who are included on the Captive Market.

Regulated Retail Services also comprise 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.

The assets included in this Business Segment are all the assets used directly, or a relevant share of the shared assets used to provide the regulated retail services.

The liabilities included in this Business Segment are all the liabilities directly incurred or a relevant share of the shared liabilities incurred to provide the services or undertake the operational activities of this particular business segment.

Revenues include all revenues associated with providing the regulated retail services. Costs include all costs associated with the provision of the regulated retail services, including the relevant share of the operating and maintenance costs and the depreciation costs of the assets used to provide the services or undertake the operational activities of this particular business segment.

2.4 Related Businesses Services Business Segments (RBS)

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:

2.4.1 Electricity related services such as the construction and maintenance of customer installations and

2.4.2 Non-electricity related services such as telecommunications services.

The assets included in this Business Segment are all the assets used directly or a relevant share of the shared assets used to provide the services or undertake the activities of this particular business segment.

The liabilities included in this Business Segment are all the liabilities incurred directly or a relevant share of the shared liabilities incurred to provide the services or undertake the operational activities of this particular business segment.

Revenues include all revenues generated from the provision of the services or the undertaking of the activities for this particular business segment.

Costs include all the relevant share of operating and maintenance costs and depreciation costs apportioned in accordance with the principles set out in this Manual.

2.5 Wholesale Aggregation (WA)

This segment comprises the distribution utility's service of purchasing electricity in bulk and selling it to other Distribution Utilities. It also 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.

The assets included in this business segment are all the assets directly used or a relevant share of the shared assets which are used to provide the Wholesale Aggregation.

The liabilities included in this Business Segment are all liabilities directly incurred or a relevant share of the shared liabilities incurred to provide the service or undertake the operational activities of this particular service segment.

Revenues include all revenues associated with providing the Wholesale Aggregation.

Cost include all revenues associated with providing the Wholesale Aggregation, including the relevant share of the operating and maintenance costs and the depreciation costs of the assets used to provide the services or undertake the operational activities of this particular segment.

This type of business segment however, is intended in preparation for further business that this cooperative (CAMELCO, INC.) may indulge in the future.

2.6 Last Resort Supply (LRS)

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

The assets included in this Business Segment are all the assets directly used or relevant share of the shared assets which are used to provide the SOLR services of this particular business segment.

The liabilities included in this Business Segment are all liabilities directly incurred or a relevant share of the shared liabilities incurred to provide the services or undertake the operational activities of this particular business segment.

Revenues includes all revenues associated with providing the SOLR services.

Costs includes all costs associated with the provision of the SOLR services, including the relevant share of the operating and maintenance costs and the depreciation costs of the assets used to provide the services or undertake the activities of this particular segment.

This type of business segment however, is intended in preparation for future business which the Cooperative may indulge in the near future especially in the implementation of the Open Access and Retail Competition (OARC).

2.7 Non-Regulated Retail Services Business Segment (NRRS)

This segment comprises the provision of non-regulated retail services provided by a Distribution Utility namely: services pertaining to the sale of electricity to end-users who are included in the contestable market or to other customers who are end-users and includes:

2.7.1 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 purchases of electricity.

2.7.2 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 contestable market or to other customers who are not end-users and,

2.7.3 Sales of electricity to end-users who are included in the contestable market or to other customers who are not end-users.

Non-regulated Retail Services (NRRS) also comprise the provision, installation, commissioning, testing, repair, maintenance and reading of meters that are used to measure the delivery of electricity to end-users (whether such services are provided to those end-users or other customers, to suppliers or to any other person).

The assets included in this Business Segment are all the assets directly used or a relevant share of the shared assets used to provide the non-regulated retail services.

The liabilities included in this Business Segment are all the liabilities directly incurred or a relevant share of the shared liabilities incurred to provide the service or undertake the operational activities of this particular business segment.

Revenues include all revenues associated with providing the non-regulated retail services.

Costs include all costs associated with the provision of the non-regulated retail services including the relevant share of the operating and maintenance costs and the depreciation costs of the assets used to provide the services or undertake the operational activities of this particular business segment.

This type of business segment however, is intended in preparation for future business which CAMELCO may indulge especially in the implementation of the Open Access and Retail Competition (OARC).

The **description of Assets** is also attached and segregated as to business segment marked as **Annex "C"**;

III - ACCOUNTING SEPARATION: The Accounting Separation of Camiguin Electric Cooperative covers the following:

Principles to Achieve Accounting Separation

CAMELCO will undertake its accounting separation through the Accounting Cost Allocation Manual (ACAM) for electric cooperatives adopted by the Energy Regulatory Commission (ERC) under Resolution no. 07, Series of 2012. CAMELCO will ensure that no activities that will unreasonably discriminate whether directly or indirectly its consumers and will follow the probation on disclosure and cross subsidies as stated on Article 5 of the Business Separation Guidelines (BSG).

a. Basic Accounting Principles

- Understandability
- Relevance
- Reliability
- Comparability
- Consistency
- Going Concern
- Accrual

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- b. Reporting Principles
 - Asset Recognition
 - Liability Recognition
 - Income Recognition
 - Expense Recognition

In addition, the following policies shall be observed:

➤ **Check Disbursements**

On March 5, 2012 the Board of Directors passed Resolution No. 18 S 2012 relative to the signatories in all bank transactions of CAMELCO to wit:

- a) For the amount of P10,000.00, the signatory should be the General Manager.
- b) For the amount of more than P10,000.00 the signatories are the General Manager and be countersigned by the Board President or the Treasurer;

➤ **Procurement Procedure (must conform to procurement guidelines and simplified bidding procedures for electric cooperatives.(Rule II, Section 5 (1);Section 7 (a.v.) of the IRR)**

Depreciation Policy

Depreciation Policy was based on the National Electrification Administration (NEA) Memorandum on Depreciation of Fixed Assets as follows:

	Depreciation Rate	USEFUL LIFE
DISTRIBUTION PLANT		
Structures and Improvement	3%	33 years
Station Equipment	3%	33 years
Poles, Towers and Fixtures	3.33%	30 years
Overhead Conductors and Devices	3%	33 years
Line Transformers	3.33%	30 years
Services	3%	33 years
Meters	4%	25 years
Street Lights and Signal System	3%	33 years
GENERAL PLANT		
Land and Land Rights	0	0
Structure and	0	0

PS

Improvement		
Office Furniture and Equipment	10%	10 years
Transportation Equipment	10%	10 years
Tools, Shop and Garage	10%	10 years
Laboratory Equipment	10%	10 years
Communication Equipment	10%	10 years
Miscellaneous Equipment	10%	10 years

3.2 Allocation Principles of Costs and Revenues

3.2.1 Allocation Based on Causation

To the extent possible, revenues and costs must be allocated to 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.

In practice, causation is determined by identifying one of the following relationships:

- (a) a directly traceable cause and effect relationship between the revenue or cost and the carrying out of an activity or provision of a service or product; or
- b) a verifiable relationship between the revenue or cost and the carrying out of an activity or provision of a service or product; or
- (c) a direct causal relationship between a pool of common costs or revenues and the carrying out of an activity or provision of a service or product, such that allocation of the pool of common costs or revenues can be made using a relevant, reliable and verifiable factor, such as relative use.

3.2.2 Costs and Revenues Allocation

Direct costs (or revenues) are costs (or revenues) that are solely incurred (or generated) in the undertaking or provision of a particular activity or service or product, regardless of whether such costs (or revenues) are recorded in the:

- a. Accounts against the relevant item. Direct costs will be allocated to the relevant Business Segment based on this direct causal relationship.
- b. Indirectly attributable costs (or revenues) are costs (or revenues) that are part of a common pool of costs (or revenues) but which can be attributed to a particular activity, service or product through a non-arbitrary, commercially sustainable and verifiable cause and effect relationship. Indirectly attributable costs (or revenues) will be allocated to the relevant Business Segment using an activity-based approach.

- c. Unattributable costs (or revenues) are costs (or revenues) that are part of a common pool of costs (or revenues) and which cannot be attributed to a particular activity, service or product through a non-arbitrary, commercially sustainable and verifiable cause and effect relationship. Unattributable costs (or revenues) will be allocated on a fair and reasonable basis as documented in this ACAM.

If a causal relationship cannot be established for a particular cost (or revenue) without undue cost and effort, the cost (or revenue) will be allocated on a fair, reasonable and defensible basis, as documented in this ACAM.

3.3 Chart of Accounts

CAMELCO shall adopt the Chart of Accounts on the approved Accounting and Cost Allocation Manual (ACAM).

The Chart of Accounts established the general ledger and subsidiary ledger accounts to be used by CAMELCO. It has incorporated the requirements under the Electric Power Industry Reform Act (RA 9136 or the EPIRA Law) following the Business Separation Guidelines (BSG), as amended.

3.4 Basic Accounting Principles

The Cooperative 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. This shall invoke the provisions as provided for in IAS 1- Presentation of Financial Statements as deemed applicable under the regulatory environment set for the distribution utilities (DUs) by the Regulators.

3.4.1 Understandability

CAMELCO's objective is to provide financial statements that are clear and understandable to the users. The users are assumed to have a reasonable knowledge of the business activities and accounting and willingness to study the information with rational diligence. For our consumers, we will undertake to disseminate the financial information to the extent of level where it shall be understood by many. However, if there are essential and complex matters that are relevant for decision-making it will still be included to ensure completeness of information.

3.4.2 Relevance

The financial report will be relevant to the decision-making needs of the users, particularly in evaluating the past, present and even in predicting the future events. The nature and materiality affects the relevance of the information, so that thresholds and cut-off points are highly considered in the presentation of financial statements.

3.4.3 Reliability

CAMELCO will undertake to present reliable information that are free from material errors and biases and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent. To ensure reliability, CAMELCO will consider the following:

3.4.3.1 Faithful representation in identifying transactions and other events to be measured shall be presented faithfully to correspond to where the transactions and events are intended to.

3.4.3.2 Substance over form which would mean that transactions will be presented in accordance to their substance and economic reality and not merely in their legal form.

3.4.3.3 Neutrality will be observed and that information shall be neutral and free from biases.

3.4.3.4 Prudence will be exercised in the preparation of the financial statement where a certain degree of caution in the exercise of judgment needed in making estimates shall be required under condition of uncertainties.

3.4.3.5 Completeness will be observed within the bounds of materiality and cost.

3.4.3.5 Conservatism is exercised when the management chooses the least effect in the equity from two alternative courses of actions in relation to the recording of the transactions in the books of accounts.

3.4.4 Comparability

Financial statements of CAMELCO will be able to be compared through time, in order to identify trends in its financial position and performance. Hence, the measurement and display of the financial effect of like transactions and other events shall be carried with consistency.

3.4.5 Consistency

CAMELCO will apply this principle in accounting that entails the uniform application of accounting methods from period to period. Furthermore, CAMELCO will likewise follow the constraints on relevant and reliable information by observing the following:

3.4.5.1 Timeliness in preparing financial reports so as not to lose its relevance to the user.

- 3.4.5.2 Cost-benefit constraint** is the balance between benefit and cost that shall be observed so that the information derived should not exceed the cost of providing it. In other words, the benefit that shall be derived from spending the cost must be considered.
- 3.4.5.3 Balance between qualitative characteristics** shall be aimed to meet the objective of the financial statements.
- 3.4.5.4 Materiality** otherwise known as the doctrine of convenience shall be considered when the item for recording is significant enough to affect the evaluation, decision and fair presentation of the financial statements. The materiality of an item depends on the sound judgement, professional expertise and common sense of the accountant, based on nature, size, and cost of the item.
- 3.4.5.5 Going Concern** is an accounting assumption that CAMELCO will continue to operate its business in the power industry indefinitely unless there is evidence to the contrary.
- 3.4.5.6 Accrual** is an accounting assumption which means that income is recognized in the period earned regardless of the time actually received by CAMELCO and expense is recognized in the period incurred regardless of the time paid by CAMELCO.

At all times, CAMELCO will present true and fair view of financial position, performance and changes in the financial position of this cooperative.

3.5 Reporting Principles

3.5.1 Asset Recognition

An asset is recognized in the balance sheet when it is probable that the future economic benefits will flow to the business operations and the asset has a cost or value that can be measured reliably.

3.5.2 Liability Recognition

A liability is recognized in the balance sheet when it is probable that an outflow of resources embodying economic benefits will be required for the settlement of a present obligation and the amount of the obligation can be measured reliably.

3.5.3 Income Recognition

Income is recognized when it is probable that an increase in future economic benefits related to an increase in an asset or a decrease in a liability has arisen and that the increase in economic benefits can be measured reliably.

3.5.4 Expense Recognition

An expense is recognized when it is possible that a decrease in economic benefit related to decrease in an asset or an increase in a liability has occurred and that the decrease in economic benefits can be measured reliably.

CAMELCO will uphold the matching principle with simultaneous or combined recognition of revenues and expenses that result directly from the same transactions and events.

3.5.5 Cause and Effect Association

This principle presumes direct association of the expense with specific items of income, thus expense is only recognized when the corresponding revenue is likewise recognized.

3.5.6 Systematic and Rational Allocation

Under this principle, some costs are recorded as expense by simply allocating them over the periods benefited, *e.g. depreciation of utility plant and equipment.*

3.5.7 Immediate Recognition

Under this principle, the cost incurred is an outright expense due to uncertainty of future economic benefits or difficulty of reliably associating certain costs with future revenues, *e.g. losses from asset disposal.*

3.6 Audit Compliance

CAMELCO's all Accounting Separation Statements (ASS) will be accompanied by a report prepared, signed and dated by an Auditor (Auditor's Report) that contains the Auditor's opinion on whether the ASS are presented fairly in accordance with the requirements of the BSG, clearly identifying any exceptions and the effect of each such exception on the ASS and in the format as prescribed in Appendix J of the BSG. CAMELCO ensures that under the terms of engagement of the relevant auditor, that Auditor is obliged (at the ERC's request) to meet with the ERC and provide it with such information regarding the performance of its functions under Section 2.8 as the ERC requires and follows all other provision under section 2.8 on Audit requirements.

3.7 Compliance with the Other Requirements on Accounting Separation

Compliance with Article V

A. Prohibition on discrimination

CAMELCO ensures that it will not, and will ensure that its affiliates do not, unreasonably discriminate, whether directly or indirectly between end-users who are in the contestable market and who acquire electricity from a person other than CAMELCO or an affiliate of CAMELCO and end-users who are in the contestable market and who acquire electricity from CAMELCO or an affiliate of CAMELCO in relation to the Distribution of Electricity, connection to the Distribution System operated by it, the provision, installation, commissioning, testing, repair or maintenance of meters, or the reading of meters.

B. Disclosure of information

CAMELCO will ensure that information which relates to an end-users who is in the contrastable market; and which is obtained by CAMELCO or its affiliates in the course of distributing electricity to that end-users or providing connection, metering or meter reading services to that end-users is not used by CAMELCO or its affiliates in connection with the sale except with the written consent of the end-user.

CAMELCO will ensure that all information regarding events or circumstances that are likely to affect the operational status or availability of CAMELCO system operated by it is disclosed to all Electric Power Industry participant at least 3 days before the operational status or availability of the Distribution system or as soon as practicable.

C. Prohibition on cross-subsidies

CAMELCO shall ensure that costs incurred in connection with activities undertaken by it or its Affiliates, being costs which are allocated to the provision of services the price of which is regulated by the ERC, are not included in the cost base used to determine the prices charged by CAMELCO or its Affiliates for the provision of such services; and the assets comprising CAMELCO's distribution system are not encumbered except with ERC approval or for solely to fund the maintenance, repair, augmentation, extension, replacement or operation of the Distribution System.

IV. DESCRIPTION OF SEPARATION: The details of the Accounting Separation shall include the General Structure per business; the detailed structure per Business, the Detailed Structure per Department; and the Description of Assets and which are attached hereto as follows:

Annex "E" The General Structure per Business Segment

Annex "F" The Detailed Structure per Business Segment
Annex "G" The Detailed Structure per Department
Annex "H" The Description of Assets

V. Milestones and Highlights:

VI. Programs for Code of Conduct:

4. That the **Accounting and Cost Allocation Manual (ACAM)**, has been prepared and formulated in accordance with the guidelines issued by this Hon. Commission hereto attached and partly incorporated in its Business Segregation and Unbundling Plan for approval by this Hon. Commission.

P R A Y E R

WHEREFORE, in view of the foregoing, it is most respectfully prayed of this Hon. Commission that after due notice and hearing the herein submitted Business Segregation and Unbundling Plan (BSUP) and the Accounting and Cost Allocation Manual (ACAM) of CAMELCO 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 **24 May 2018 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 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:

- 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 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 it 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 Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 17th day of April 2018 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: SLAN/NTB/APV