

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. 2016-046 MC

**LEYTE IV ELECTRIC
COOPERATIVE, INC.
(LEYECO IV),
Applicant.**

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D O C K E T E D
Date: APR 20 2018
By: W

ORDER

On 29 December 2016, an *Application* dated 13 December 2016 was filed by applicant Leyte IV Electric Cooperative, Inc. (LEYECO IV) seeking the Commission's approval of its Business Separation Unbundling Plan (BSUP), pursuant to Section 36 of Republic Act No. 9136 and Rule 10 of its implementing rules and regulations.

LEYECO IV alleged the following in its Application:

1. LEYECO IV is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Lamak, Hilongos, Leyte;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the City of Baybay which is divided into two districts – Baybay North and Baybay South and certain municipalities of the province of Leyte, namely: Bato, Hilongos, Hindang, Inopacan and Matalom.

3. Section 36 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 or "EPIRA", provides in part that "Any electric power industry participant shall

functionally and structurally unbundle its business activities and rates in accordance with the sectors as identified in Section 5 hereof. The ERC shall ensure full compliance with this provision;"

4. Pursuant to the said mandate of the EPIRA as well as Rule 10 of its Implementing Rules and Regulations (IRR), the Honorable Commission promulgated Resolution No. 49, Series of 2006 otherwise known as "*Business Separation Guidelines, as Amended*" as well as Resolution No. 07, Series of 2012, Adopting the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives;

5. Pursuant to and in compliance with the requirements of the foregoing law, rules and resolutions, applicant is submitting herewith for the Honorable 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. Applicant's proposed BSUP is divided into six (6) sections, described in detail hereunder, as follows:

SECTION I. DETAILS OF CURRENT STRUCTURE

a) COOPERATIVE PROFILE

The Leyte IV Electric Cooperative, Inc. (LEYECO IV) is a non-stock, non-profit electric cooperative, created pursuant to the provisions of the National Electrification Administration Act (R.A. 6038), as amended by Presidential Decree No. 269 (PD 269) and registered with the National Electrification Administration on November 7, 1975. It started its operation in 1977.

The National Electrification Commission granted LEYECO IV an exclusive franchise to operate and distribute light and power services in the City of Baybay and five (5) municipalities of the Province of Leyte, namely: Bato, Hilongos, Hindang, Inopacan and Matalom,

Status of Energization as of December 31, 2015:

It has energized 100% of the 245 barangays within the entire coverage area. Another 5 barangays, located at Southern Leyte, which was waived by SOLECO, has also been energized by LEYECO IV making it a total of 250 energized barangays, with 70,189 household connections and 61,149 actual consumers connected.

Financial and Statistical Report as of December 31, 2015:

Total kWh sales for 2015 amounted to 468,961,079, broken down as follows: Residential: 276,931,733; BAPA: 6,672,362; Low Voltage: Commercial - 101,150,432; Industrial - 17,570,573; Public Buildings-31,849,509; Street lights - 3,463,416; High Voltage: Commercial - 4,093,841; Industrial - 4,515,593; Large Load - 22,713,619.

b) CORPORATE STRUCTURE

Applicant's present organizational structure is divided into six (6) main Divisions, briefly described as follows:

1. Office of the General Manager (OGM)

The OGM is made up of the five (5) Departments, namely, the Finance Services Department (FSD), Institutional Services Development Department (ISDD), Technical Services Department (TSD), Internal Audit Department (IAD) and Corporate Planning Department (CORPLAN). The Office of the System Administrator is directly under the OGM.

2. Finance Services Department (FSD)

The FSD is made up of the Cashiering, Accounting, Meter Reading, Billing and Collection.

3. Institutional Services Development Department (ISDD)

The ISDD is composed of Human Resource and Administration, Consumer Services and Membership Development.

4. Technical Services Department (TSD)

The TSD is made up of the System Operation/Maintenance and Substation, Distribution Line Rehabilitation and Construction, Power Services and Supply/Metering, Engineering Services and Control.

5. Internal Audit Department (IAD)

The IAD is composed of three staff auditors assigned for technical, finance and operations.

6. Corporate Planning Department

This department is composed of the Distribution System Planning and Energy Trading.

c.) DESCRIPTION OF FUNCTIONS

1. Office of the General Manager (OGM)

Responsible for the over-all management of the operations of the cooperative. The Office of the General Manager

ensures the implementation of NEA- approved Board policies and guidelines, cooperative laws, rules and regulations and other applicable governing laws, rules and regulations as provided by the EPIRA. The OGM sees to it that all planned targets, activities and projects are accomplished accordingly and efficiently.

1.1 Finance Services Department

Responsible for the sound financial management of the EC thru an effective and systematic procedure in meter reading, billing, accounting, cashiering and collection of its accounts receivables and payables.

1.2 Institutional Services Department

Responsible in carrying out programs for internal and external customers aimed at strengthening the institutional dimension of the cooperative.

1.3 Technical Services Department

Responsible in carrying out maximum utilization and maintenance of the distribution assets to provide power quality, system reliability and electrical safety in the delivery of electric power.

1.4 Internal Audit Department

Responsible for the effective and efficient implementation of internal control systems in all the departments of the cooperative.

1.5 Corporate Planning Department

Responsible in strategic and business planning for long term viability. Handles the cooperative's distribution system planning and energy trading.

2. Finance Services Department

Responsible for the sound financial management of the cooperative through an effective and systematic procedure in meter reading, billing consumer accounting, general accounting, cashiering and collection of its accounts receivables and payables.

2.1 Meter Reading, Billing and Collection

Conducts meter reading, billing and collection, observe the regular/monthly MRBC cycle; generates monthly summary of Bills and Sales, Summary of Sales, Power Bill Adjustments, Lifeline date of residential (BAPA consumers), and the cooperative's consumption on electricity and Systems Loss data.

2.2 Cashiering

Receives electric bills and other payments. Accounts all cash receipts and cash disbursements; prepares and releases check payments, petty cash fund and other special funds; prepares the DCPR & CDCR; deposits all collections at the bank within required time frame; makes authorized funds

transfers and withdrawals of funds and encashment of checks with the depository bank; prepares checks based on approved check vouchers.

2.3 Consumer Accounts

Collects accounts receivable from member-consumers; issues disconnection notices to delinquent consumers with strict observance of disconnection policy; prepares/computes the differential billing of apprehended consumers. Generates Account Receivable Summary (Baybay to Matalom) at the end of the month.

2.4 Accounting

Prepares all vouchers (checks, journals, account payables, petty cash and payrolls) with proper account titles/codes; prepares check vouchers payments to power suppliers (PSALM, NGCP) and remittances to government agencies like ERC, BIR, SSS, PHIC, HDMF, NEA, Provincial Treasury, DOE and other similar agencies on time. Checks CDCR and accounts for the official receipts and deposits. Close out of completed work orders. Records all financial transactions in the books of accounts and posts to the General Ledger. Responsible for the proper accounting of financial transactions and the preparation of the Monthly Financial and Statistical Reports (MFSR) complete with supporting attachments like Cash Flow Statement, Schedule of Advances to Officers and Employees, Accounts, Receivables, Sales Revenue per classification.

2.5 Budgeting

Compiles data for the preparation of the budget estimates including long-range projections. Develops, in coordination with different departments, the cooperative's work programs, targets and the corresponding budget allocation whether on short-term and long-term basis. Maintains a systematic, detailed and up-to-date record of approved budget vis-à-vis actual expenditures; sales revenue budget against actual performance including Capital Expenditures. Suggests budget revisions as circumstances require to maintain a coordinated program for the company as a whole. Transmits to Department Heads revisions of original estimates when such revisions are made. Regularly informs management as to the actual operating results and planned performance with interpretation of variances.

3. Institutional Services Development Department

Responsible in carrying out programs for internal and external customers aimed at strengthening the institutional dimension of the cooperative. Ensure good customer service, develop member-consumer base and enhance human resource and corporate culture.

3.1 Human Resource and Administration

Administers hiring process, appointment, service/labor contracts, leaves, transfers, resignations, retirements, separation, promotion, salary adjustment, wage survey and other personnel services. Conducts in-house training programs for employees upgrading. Prepares payroll for employees, contractual employees and outsource personnel. Initiates activities for corporate culture enhancement. Keeps and maintains personnel records and update 201 files of all employees. Purchases of non-capex projects/materials/supplies. Prepares job contracts and monitors renewal and or termination. Responsible in the maintenance and housekeeping of coop premises.

3.2 Consumer Services

Receives and executes consumer complaints and requests within the key performance standard: processing of applications for service connections, service connections, reconnection, service memo/orders. Ensures consumer welfare and protection thru the effective implementation of Magna Carta. Renders technical assistance to applicants/consumers/electricians relative to applications and connections. Supervises accredited electricians. Implements consumer programs: Lighting Assistance Program, Share-A-Light, Barangay Clearing, Kontra-Kawat-Koryente, among others.

3.3 Membership Development

Conducts information drives/campaign/assemblies at the barangay, municipal and city level. Develops educational materials and appropriate communication and marketing strategies using tri-media to promote the cooperative, its programs and projects. Ensures a complete, organized and updated membership records with continuous sanitation of members registry. Responsible/co-responsible in the effective implementation of mandated activities and membership programs: AGMA, District Elections, District Membership Assemblies, MSEAC, Scholarship Program, Quarterly Raffle Pa Premyo, Text Connect. Organizes Barangay Electrification Councils. Responsible in the dissemination of power interruptions and other important activities within time frame thru different avenues. Conducts and collate result of Customer Satisfaction Survey. Develops and creates the coop's institutional databank.

4. Technical Services Department

Responsible in carrying out maximum utilization and maintenance of the distribution assets to provide power quality, system reliability and electrical safety in the delivery of electric power.

4.1 System Operation/Maintenance and Substation

Conducts activities for the operation and maintenance of the distribution system to provide quality, reliable and continuous electric service. Restores power interruptions, conducts pole replacement, line re-conductoring, line rehab/revamp, transformer replacement, transformer load balancing/monitoring and other activities related to the distribution lines. Responsible in distribution line operation/maintenance cooperative's power substations including other Substations high voltage equipments and ensures its safety and effective operating conditions. Schedules the performance of preventive maintenance of Substation (PMS). Conducts evaluation of the different reading parameters of power substations related to the allowable loading capacity of the substation equipment and allowable load dispatch per substation and any other activities that needs coordination with TRANSCO. Ensures the continuous power supply of Sub-transmission and distribution line and limit the power interruption and by all means using different configuration. Ensures that the Sub-TX and DX line losses (technical) should be within the tolerable level. Develops and update the cooperative's document containing the technical assets and facilities that will be a tool for engineering analysis and monthly DSL segregation.

4.2 Power Services and Supply/ Metering

Installs power supply and metering requirements of small and large users of electricity and monitors power quality standard. Prepares yearly program of KWRM testing pursuant to Article 10 of Magna Carta for RES consumers. Maximize the capacity of installed distribution transformers. Periodic checking of instrument transformers used by customers. Conducts kWh meter inspection in response to consumers' complaints related to power consumption. Site surveillance & apprehension of energy pilferers.

4.3 Engineering Services and Control

Repairs and maintains vehicles. Monitors, dispatch vehicle assignments to different Departments. Proper warehousing and control of all electrical materials/equipments, automotive spare parts and any other stocks or things. Reviews/checks materials received against Purchase Order as to condition, quantity and quality whether these fully meet the requirements per Purchase Requisition. Monitors the status balance report of stocks. Responsible for the protection and safeguarding of all stocks inside the perimeter. Maintains record files of inventory for auditing purposes. Develops recommendations to improve the system in Warehousing and maintenance of coop vehicles.

5. Internal Audit Department

Ensures the effective and efficient implementation of internal control systems in all the departments of the cooperative.

5.1 Audit- Finance

Undertakes a regular audit of all financial transactions of the cooperative before and after consummation. Examines the book balances of the cooperative and monthly financial statement report submitted to the National Electrification Administration. Verifies cash on hand, petty cash and working funds of the cashier. Reconciles cash in banks and in general ledger balances and obtain direct confirmation of the bank balances from the bank. Test check cash receipts and check disbursement records including the underlying data and documents. Trace returned checks to the check register for proof of data number, payee and amount; examines endorsements and signatures. Reconciles the totals of the individual account balances with the control account and other accounts of long term debt.

5.2 Audit- Operations

Reviews and evaluates on the flow of activities of all plans and programs to meet the desirable goals and objectives. Conducts an evaluation on the implementation of programs/grants from the government and other agencies. Verifies the reliability of computer-generated information and programs by conducting an examination on the data inputs, processes and outputs. Reviews and evaluates the existing flow for receiving, stocking and issuance of materials, supplies and equipments to ensure that the cooperative's assets are properly safeguarded and effectively used. Reviews and evaluates the flow for installation, transfer/pull-out and retirement of computers/printers/gadgets, tools and equipments. Reviews and evaluates the flow and proper signatories of cooperative documents. Ensures that all agreements and contracts entered into by the cooperative are properly complied with.

5.3 Audit- Technical

Undertakes a physical inventory of materials/equipments as built in the newly completed construction work order against materials/equipments requested by the construction crew. Checks the newly completed other job orders. Inspects materials/supplies delivered whether these are in accordance with the specification in the purchase order. Conducts annual physical inventory of materials, tools and equipment.

6. Corporate Planning Department

Responsible in the cooperative's strategic and business planning for long term viability.

6.1 Distribution Planning

Formulates plans and programs of the LEYECO IV Distribution System Power Quality, Power Reliability and System Loss Reduction programs. Submits on-time complete documents for the compliance of Philippine Grid and Distribution Code thru GMC and DMC as mandated by the ERC. Maintains regular complete hard and soft copy of records and reports of the distribution system analytical forecasting study from the system analyst. Maintains display monthly updated comprehensive distribution system map, data and reports. Supervise system analyst and proper implementation and monitoring of Systems Loss Reductions Programs

6.2 Energy Trading

Conducts energy trading and facilitates all the WESM transactions as required or requested by the Market Operator and/or PEMC. Forecasts the system and per substation demand of the cooperative (hourly/daily/monthly forecast). Monitors hourly/Daily/Monthly of all the market transactions such as the real-time market prices and schedules, etc. Submits Bilateral Contract Quantity (BCQ) Nomination monthly and daily. Responsible in the verification and evaluation of the monthly WESM Settlement Reports (Preliminary and Final) submitted by PEMC. Responsible in the on time submission of the Monthly WESM Settlement Report to Finance Services Department upon receipt and verification for payment/collection and Effective Rate Calculation.

d. DESCRIPTION OF CURRENT PROCESSES

1. New Membership / New Electric Service Connection

The Applicant attends Pre-Membership Seminar. The Electrician undertakes house wiring installation and secures electrical permits from LGU. The Connection Inspector conducts inspection or pre-survey of the premises after submission of Certificate of Completion. If approved, the applicant will proceed to no. 5. If disapproved, the applicant will correct the deficiency subject for re-survey. The Consumer Welfare Assistant processes the application for membership and new connection, issues ID and assessment of fees and charges. The Cashier receives payment of bill deposit, membership fee and other charges. The Department Manager approves the application for new service connection. The Membership Dev. Officer encodes/files membership data and contract. The Consumer Welfare

Assistant assigns kWh meter. The Service Linemen installs service drop and kWh meter.

2. Service Connection (Big Load)

Applicant attends Pre-Membership Seminar. The Electrician undertakes house wiring installation and secures electrical permits from LGU. Connection Inspector conducts inspection of the premises after submission of Certificate of Completion. If approved, applicant proceeds to No. 5. If disapproved, applicant will correct the deficiency subject for re-survey. TSD will conduct, evaluate and assess the technical specification requirement based on the application. Then the TSD conducts staking and estimates, metering charges, construction, labor costs and other fees. Consumer Welfare Assistant processes the application for new connection, issues ID and assessment of fees and charges. Cashier receives payment of bill deposit, membership fee and other charges. Department Manager approves the application. The MDO encodes/files membership data and contract. TSD conducts construction works and energization.

3. Meter Reading

MRBC Head - Main Office prepares in advance the Meter Reading Schedule for the month which consists of the Date, Route/Area and the meter reader/s to be assigned. (For big load consumers, the schedule of their meter reading is every 26th of the month). MRBC Clerk- Sub Office encodes new approved rates in TUBS/MRBS then double checks the encoded rates for the month then uploads unto the meter reading gadget the consumer's accounts data from the computer server the route assignment of each meter reader. The Meter Reader/Collector fills up Locator Slip, Fuel Stock Requisition and Issue Slip (FSRIS) indicating the route assigned and the corresponding number of liters for recommendation by MRBC Head. The MRBC Head checks/verifies their uploaded routes before going out for their assigned schedules and then checks and recommends locator slips and fuel requisition of meter reader/collector and have the fuel requisition approved by the FSD manager. The Meter Reader or Collector Goes to the respective route assignments and starts reading the kWh meter of consumer and input the data into the MRBC gadget. In case of new connection located in the coverage area but not part of the uploaded data, the meter reader will write down the kWh reading, the meter no., the consumer's name, location, sequence no. of its neighbors and other information which shall then be reported to MRBC head upon arrival in the office for proper billing to the said consumer. Then the Meter Reader/Collector clicks the "SAVE" icon in the MRBC gadget in order to print the power bill or statement of account. For abnormal reading/consumption, the meter reader inputs the average consumption based on the past 3-months reading and put some remarks or observations as to the condition of

the KWH meter, or any pertinent information of interest to or require action of the management.

4. Billing

4.1 Residential and Low Voltage Consumers

The Meter Reader/Collector gives the statement of account to the consumer if around. If nobody is present during the meter reading, the statement of account is tagged on a conspicuous space (at the door, gate or wall of the house or building). If in case the data inputted in the MRBC gadget is incorrect, the meter reader could make some adjustments or print a correct one. However, if the incorrect power bill has already been paid by the consumer, the meter reader returns the money and upon arriving at the office informs immediately the MRBC Head for bill adjustments by filling up the form – Request for Unposting of power bill.

4.2 High Voltage Consumers

The Meter Reader or Collector prepares power bills in two copies. The MRBC Head - Main or MRBC Clerk Sub-Office check entries in the power bills and make some corrections if there is any before printing the final copy, then instruct a meter reader to deliver the power bills of high voltage consumers. The Meter Reader or Collector requests the recipient to acknowledge receipt of the power bills in the duplicate copy for office file.

4.3 BAPA Billing

The Special Project Officer sends schedule of rate on the 9th-12th day of the month to BAPA Officer for their basis in billing the BAPA consumers. The BAPA Officer goes to individual consumers to read their kWh meters, then the billing and collection will be filled up in the Summary of BAPA Consumption then submits to Special Project Officer the Summary of BAPA Consumption for checking and verification of the amount billed and collected. Then the Special Project Officer prepares a recap for BAPA Lifeline and Non-lifeline to be attached to the Summary of BAPA Consumption and then forwards to the MRBC Head for billing. The MRBC Head checks and verifies the individual billings made by BAPA Officer and prepares a consolidated bill which becomes the basis for remittance to Cashier. The BAPA Officer returns to Special Project Officer for computation of their Fare, Discount (if any) and Honorarium which is to be deducted from their bill then remits to the Cashier the billed amount, net of fare, discount (if any) and honorarium.

5. Billing Summary and Generation Process

The MRBC Clerk – Main Office prepares and prints the following documents: Summary of power bills and kWh usage by customer class; Summary of power bills by town/route; Summary of BAPA Lifeline and Non-lifeline

power bills; Summary of adjustments; and Cooperative Consumption then forwards the same to MRBC Head. MRBC Head reviews the summary of bills and adjustments and signs the "Checked by" space then forward copies of the summaries and printouts to the Finance Manager for notation and information. Accounting Clerk forwards copies of summaries and printouts to Accounting Clerk for recording of sales and records the sale for the month and keeps a copy of the summaries and print-outs.

6. Collection

6.1 Field Collection by Meter Readers

The Meter Reader/Collector asks the consumer if he will pay his power bill. If so, the meter reader collects the payment and counts the money in the presence of consumer and then clicks the MR gadget to generate a Bill Receipt then gives the printed Bill Receipt to the consumer who pays. Once the meter reading, billing and collection in the assigned area has been done, the Meter Reader generates Collection Report which serves as the basis for his remittance to the Cashier. If the answer is "no", the Meter Reader/Collector proceeds to the next consumer. After reading, billing and collection, he generates Collection Reports for remittance to the Cashier.

6.2 Office Payments for Consumers

The consumer will get priority number and waits until his number is called by one of the Tellers. Once the number is called, the consumer will present power bill together with the priority number to the Teller. The Teller inputs in the Account No. or the Account Name of the bill the consumer wishes to pay and check the account if there are arrearages. No payment for current bill shall be accepted unless the previous bill/s is paid. Then the teller accepts payment after informing the consumer on the amount due and checks the money received then inputs in the amount received from consumer to determine the correct amount of change if there is any. Then he issues O.R. in two (2) copies and gives the original copy to the consumer together with the change (if there is any) and keep in file the duplicate copy. Then he generates a Teller's Daily Collection Report (TDCR) at the end of the day. This would serve as the basis for his remittance to the Cashier and affixes his signature in the TDCR.

6.3 Field Payments to Authorized Collection Agents (Only for accounts not yet overdue)

The Consumer presents the power bill and his payment to the authorized Collection Agent. The Collection Agent verifies if the power bill is not yet overdue and then accepts payment, checks the money received and issues O.R. in two (2) copies. He Checks the details in the O.R. for correctness and gives the original copy to the consumer together with the change (if there is any) and keep in file the duplicate copy. At the end of the day, he prepares the summary of collection and counts the money.

7. Remittance and Deposit

7.1 From Collectors (Power Bills)

The Meter Reader/Collector remits intact his collections to the Cashier based on the generated collection report. The Cashier generates a Daily Collection Report (DCR) of the collector's collections after inputting the names of consumers into the system then will issue an Official Receipt to the Meter Reader/Collector. The Meter Reader/Collector affixes his signature in the Daily Collection Report, writes the Official Receipt No. then keeps the O.R. and presents the Official Receipt to the MRBC Clerk. The MRBC Clerk uploads the billed/collected power bills during the day to the server after the Official Receipt has been presented to him/her.

7.2 From Tellers (Power Bills)

The Teller remits intact all his collections to the Cashier based on the generated Daily Collection Report or DCR. Cashier verifies the Daily Collection Report and accepts remittance from Teller then issues an Official Receipt in triplicate copies, gives the original copy to the Teller and keeps the yellow and pink copies for file and for Accounting Section.

7.3 From Cashiers

The cashier accounts properly all cash receipts as payment for a particular transaction into the Integrated Cashiering Solutions (ICS) program then issues an Official Receipt in triplicate copies. Gives the original copy to the payor and keeps the yellow and pink copies for file and for Accounting Section. At the end of the day, the Cashier generates a Cashier's Daily Collection Report (CDCR) bearing his signature under the "Prepared by" portion. The Cashier prepares Cash/Check Deposit Slips in duplicate copies for all collections of the day which must be deposited intact at the first hour of the following banking day. (Partial deposit is encouraged to avoid large volume of money left at the vault overnight), secures validated deposit slips from bank, prepares Deposit Report bearing his signature supported by validated deposit slips for attachment to CDCR then submits CDCR together with supporting documents to Accounting Section. The Accounting Clerk prepares accounting entries for Daily Collections and Deposits.

8. Disconnection

The Consumer Accounts Assistant prepares the disconnection notices to delinquent consumers. The Authorized Messengers delivers the disconnection notices to the said delinquent consumers. After 3 days, the Consumer Accounts Assistant prepares the disconnection orders after verification of accounts. The Disconnecter disconnects the consumer's electric connection at the service entrance of the kWh meter. The MRBC Head posts disconnected consumers to the Billing System.

9. Reconnection

The disconnected member-consumers pay their unpaid bills including reconnection fee and apply for reconnection. The Consumer Welfare Assistant processes the reconnection order. Then the Service Lineman reconnects. The MRBC Head posts the reconnected consumers to the Billing System.

10. Meter Issuance

The Power Metering Personnel receives request for kWh meters from the ISDD for service connections then withdraws and releases ERC-sealed kWh meters based on the request. The Membership Assistant /Consumer Welfare Assistant receives kWh meters and then assigns and releases kWh meters for applicant-member consumer to be installed by the Service Linemen.

11. Meter Testing and Sealing

The PBAC purchases from accredited suppliers ERC-Sealed kWh meters. The Power Metering Personnel withdraws ERC-sealed kWh meters from the Warehouse. The Instrumentation Officer/Power Metering Officer tests and checks the accuracy of the kWh meters received and whether said kWh meters have the ERC seal. The Power Metering Personnel issues/releases the kWh meters to concerned department upon request.

12. Meter Rehabilitation

The Power Metering Personnel pulls out old/disconnected/damaged kWh meters from member-consumers and check whether the pulled out meters are reusable or not, then thoroughly cleaned. The Instrumentation Officer/ Power Metering Officer tests and calibrates the pulled-out kWh meters. The Power Metering Personnel requests the ERC for Acceptance Test of the repaired/re-calibrated meters with ERC seal and sticker then issues/releases the kWh meter to concerned department upon request.

13. Customer Assistance – Consumer Complaints, concerns and requests

The Member-consumer files his complaint/request/concern. The Consumer Welfare Assistant receives complaints, answers queries, evaluates and endorses complaints to concerned department/section or issue service memorandum to service linemen. The Cashier receives payment for service fee (if required). The concerned department/ section/ service linemen execute or resolve the complaint. The Consumer Welfare Assistant records the result or action taken.

14. Distribution System Trouble- Response Process

14.1 If complaint is received within office hours

The Consumers Welfare Desk Officer (CWDO)/Substation Tender/Coop Employees, Security Guard/ Meter Reader/Collector receives consumer's complaint thru cell phone, walk-in, text and etc. The CWD Officer makes service memorandum. The TSD Clerk forwards the memo to Technical services department. The Maintenance Crew executes the service memorandum received and records the service memo acted to Maintenance Logbook. The TSD Clerk submits the acted/recorded service memo. The CWD Officer forwards the acted/recorded service memo to ISDD. If procedure in No.4 is not executed, the Area Engineer sends feedback on the problem for immediate assistance. The Area Engineer facilitates assistance/materials needed and send to area. Once execution is completed with the assistance of another crew, the area engineer follows instructions No. 5, 6 & 7.

14.2 If complaint is receives beyond office hours

The Substation Tender/ Coop Employees/ Security Guard receives consumer's complaint thru cell phone, walk-in, text and etc., then forwards the consumer's complaint thru cell phone, telephone, and radio communication to the maintenance crew. The Maintenance Crew responds immediately to distribution system trouble as per consumer's complaint. The Substation Tender prepares feedback/report completion of work. The Maintenance Crew records the consumer's complaint to Maintenance Logbook. If procedure No.3 is not executed, the Maintenance Crew prepares feedback on the problem for immediate assistance. The Area Engineer facilitates assistance and secures the needed materials and send to area. Once execution is completed with the assistance of another crew, the Maintenance Crew follows instructions No. 4 & 5.

15. Requisition and Procurement (Non-Capex)

The Section Head secures Purchase Request (PR) form in the Audit Department, then fills in the items needed in his assigned section indicating its purpose, specifications/brand, quantity, unit of measure and estimated cost, then signs in the "Requested by" portion and forwards to the Budget Officer. The Budget Officer certifies for budget allocation and forwards to the Dept. Manager concerned. (PR that is not within the Approved Budget has to be returned back to the section concerned for justification and realignment approved by its Direct Supervisor/Department Head). The Department Manager reviews the item/s requested then approves the requisition if the estimated cost is P1,000 and below and then forwards the document to the Purchaser. If the estimated cost is more that P1,000 the Department Manager only recommends approval and forwards the document to the General Manager for approval. The General Manager

approves/disapproves the PR. The General Manager forwards the approved PR to the purchaser. For Disapproved PR, the GM must inform first the Department Head concerned on the reason for disapproval and forwards the document to the Audit Department for filing. The purchaser determines if the items requested is for bidding or for canvass. If it is subject for bidding, the PR is forwarded to the BAC Secretary who would facilitate the bidding process. If it is for canvass, the purchaser canvasses the items based on specifications to at least three (3) suppliers. (The Canvass Sheets has to be signed by the canvasser and the supplier/representative over their printed names and designation) and prepares Abstract of Canvass and for the qualified suppliers. The Audit Staff (Financial) evaluates and checks the PO for completeness and accuracy. The General Manager approves the PO. The Executive Secretary forwards the approved PO with the supporting documents to the Purchaser. The purchaser the PO and makes the purchase and forwards papers to warehouse and then follows-up for the delivery of purchased materials.

16. Bidding

The BAC Secretary facilitates the preparation of Purchase Requisition. The BAC Chairman secures approval from management thru a Board Resolution. The BAC Secretary prepares Bid/Tender documents once the pre-bid requirements are complied then invites suppliers to apply for eligibility and to bid then issues application for eligibility forms and bid/tender documents to suppliers. The supplier submits the Application for Eligibility and Technical Specification (with no price tenders). The members of BAC conduct pre-bid conference and pre-qualification of bidders (corporate profile) and evaluation of technical specifications. Then it will open bids, determines the lowest calculated responsive bid and award the winning bidder. The Supplier and LEYECO IV thru the General Manager execute the contract. The BAC Secretary prepares Purchase Order and Abstract of Bidding. Then evaluates and checks PO for completeness and accuracy. The General Manager approves the PO. The executive secretary forwards the approved PO with supporting documents. The BAC Secretary serves the PO to the winning bidder and makes the purchase then forwards papers to the warehouse and then follows-up for the delivery of purchased materials.

17. Materials Receiving Process

17.1 Poles

The supplier delivers poles at LEYECO IV compound. For wood poles the warehouse personnel would demand DENR Discharge Permit and delivery receipts before unloading. For steel poles, only delivery receipts are required. With the presence of Staff Auditor, the warehouse staff / staff auditor counts the poles and checks the sizes as indicated in the

delivery receipts. The warehouse staff unloads and arrange poles in the pole yard and prepares Receiving Report (RR) with the attached Delivery Receipts (wood poles) or Delivery Receipts and DENR Discharge Permit (steel poles), approved PR, PO, PBAC Abstract of Bidding. The Staff Auditor verifies RR and attached documents. The TSD Manager approves RR and then forwards to Accounting Section for preparation of Check Voucher.

17.2 Pole Line Hard Wares/ Office Supplies/ Spare Parts and other items

The supplier delivers pole line hard wares at LEYECO IV compound. With the presence of Staff Auditor, the warehouse staff checks if the delivered items within the specifications and count based on Delivery Receipt/s and Purchase Order. Items that do not qualify in the specification as stated in the Purchase Order is returned to the Supplier. (Partial delivery will be noted in the Purchase Order) and deposits all items received in the warehouse and prepares Receiving Report (RR) with the attached documents: Delivery Receipt, approved PR, PO, Abstract of Canvass/Bidding and Sales Invoice/Charge Invoice (If any). The Staff Auditor verifies RR and attached documents. The TSD Manager approves RR and then forwards to Accounting Section for preparation of Check Voucher.

18. Materials Issuance Process

18.1 Line Maintenance

The Lead man/TSD Clerk prepares Requisition Voucher (RV) and list all the needed materials during the day for line maintenance. *(Note: In case of emergency such as replacement of damaged materials due to line faults, accident, and system/nature damaged, the warehouse staff will issue the needed materials outright and RV shall be prepared after execution.* The TSD Manager approves the Requisition Voucher (RV) then forwards the same to the warehouse. The warehouse staff issues the materials as per approved RV. All the issued items for line maintenance/project shall carry a Gate Pass which will be checked by the Guard on Duty before it is taken out from LEYECO IV compound. The warehouse staff prepares Material Charge Ticket (MCT) in duplicate copies. (Original copy will be forwarded to Accounting Section and duplicate copy shall be kept for Warehouse file).

18.2 Motorpool

The Mechanics requests for the needed materials. The TSD Clerk fills up the Other Materials/Supplies Request and Issue Slip (OMSRIS) form in duplicate copies and forwards the same to TSD Manager for approval. *(For emergency cases, OMSRIS will be prepared within the day of issuance.* The TSD Manager approves OMSRIS. The mechanics forwards the document to the warehouse for the release of the requested materials. The warehouse staff issues the materials

as per approved OMSRIS and forwards the original copy of OMSRIS to Accounting Section and keeps the duplicate copy for warehouse file.

18.3 Office Supplies and other materials

The requisitioner fills up the Office Supplies Request and Issue Slip (OSRIS) form or Other Materials Supplies Request and Issue Slip (depending on the requested item/s) and then forwards the same to the Department Manager for approval. The FSD Manager approves OSRIS. The requisitioner forwards the document to the warehouse for the release of the requested materials. The warehouse staff issues the materials as per approved OSRIS and forwards the original copy of OMSRIS to Accounting Section and keeps the duplicate copy for warehouse file.

18.4 Equipment/ Capitalizable Assets

The warehouse staff issues the equipment to the concerned employee/official and prepares the Memorandum Receipt (MR) in duplicate copies and affixes his signature at the "Issued by" portion. The ESCS Head checks the MR for correctness. The concerned employee/official confirms the receipt of equipment as stated in the MR and signs in the "Received by" portion. The warehouse staff forwards the same to the General Manager for signature under "Noted by" portion and gives the original copy of MR to the employee who has the custody of the issued equipment and keeps the duplicate copy for warehouse file.

19. Inventory Monitoring Process

Upon receipt of Receiving Report (RR) in three copies from the Warehouse and Control Officer, Stock Clerk will do the costing and returns RR in three copies to the warehouse for the signatures of the Warehouse & Control Officer, Head-ESCS and Technical Services Manager. The Warehouse and Control Officer, Head-ESCS TSD Manager, checks and signs the RR. The Stock Clerk forwards one copy of RR to Bookkeeper for check voucher preparation, purchase clearing, and to employee concerned for attachment to his/her liquidation report. The Stock Clerk will also post the items listed in the receiving report to the Integrated Warehousing Inventory & Control Solutions (IWICS) which will then be added to the list of stocks. Then he/she post all issuances to IWICS as a deduction of stocks. These are items reflected in the Materials Charge Ticket (MCT), Other Materials/Supplies Request and Issue Slip (OMSRIS), Office Supplies Request and Issue Slip (OSRIS), Wiring Material Requisition (WMR) and Memorandum Receipt (MR) issued by the warehouse officer and all returned and salvaged materials as reflected in the Material Credit Returned Ticket (MCRT) and Material Salvage Ticket (MST) then generates the list of stocks using the IWICS at the end of the year then distributes the generated list of stocks to the Head of Engineering Services and Control Section and to the Staff

Auditor, Stock Clerk, Staff Auditor and Warehouse Officer conduct an inventory count in the warehouse and compare the number of stocks as per the records. (Any discrepancy shall be analyzed and noted). The Staff Auditor submits an Inventory Count Report and audit findings to the General Manager.

SECTION II. DETAILS OF BUSINESS SEGMENTS

Applicant is currently engaged in four (4) business segments, consisting of three (3) regulated business segments, namely: 1) Distribution Services (DS), 2) Distribution Connection Services (DCS), 3) Regulated Retail Services (RRS), and one (1) non-regulated business segment, the 4) Related Businesses Segment (RBS).

Should it be applicable in the future, LEYECO IV will also undertake Non-Regulated Retail Services (NRRS), Last Resort Supply Services (LRSS) and Wholesale Aggregation (WA).

A. REGULATED BUSINESS SEGMENTS:

1. DISTRIBUTION SERVICES BUSINESS SEGMENT (DS)

This segment comprises the provision of distribution services - namely:

- a) the conveyance of electricity through the Cooperative's 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 of 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 cooperative's Distribution System;
- d) the provision, installation, commissioning, testing, repair, maintenance and reading of WESM-related meters that are not also used to measure the delivery of electricity to End-users or other customers; and
- e) 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 Suppliers or to any other person).

2. DISTRIBUTION CONNECTION SERVICES BUSINESS SEGMENT (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 take electricity from the Connection Point, and the conveyance of electricity:

- (i) from the facilities of persons which are directly connected to the Distribution System to the Connection Point; or
- (ii) 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) the provision of other services that support any of the above services.

3. REGULATED RETAIL SERVICES BUSINESS SEGMENT (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:

- (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; and
- (c) the sale of electricity to end-users who are included in the Captive Market.

B. NON- REGULATED BUSINESS SEGMENT:

4. RELATED BUSINESSES SEGMENT (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:

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

Applicant's BSUP presents a Flow Chart for each Business Segment, showing a detailed segregation of employees per department as well as an allocation of its assets to the appropriate business segments in which they will be utilized.

SECTION III. ACCOUNTING SEPARATION

LEYECCO IV 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 of Costs and Revenues
- c. Chart of Accounts
- d. Basic Accounting Principles

SECTION IV. DESCRIPTION OF SEPARATION

LEYECO IV shall comply with the provisions of the Business Separation Guidelines (BSG). It shall maintain its division and structure to meet the performance standards prescribed by the National Electrification Administration (NEA). All employees connected with different segments will be identified accordingly and cost and expenses incurred shall be allocated to each segment as provided in the BSG. All manpower and facilities used and shared by the cooperative to different business segments shall be allocated using a fair and reasonable method as provided in the approved ACAM.

Applicant's BSUP presents a diagrammatic presentation of the following:

- a. General Structure Per Business Segment
- b. Detailed Structure Per Business Segment
- c. Detailed Structure Per Department

SECTION V. MILESTONES AND HIGHLIGHTS

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

SECTION VI. PROGRAM FOR CODE OF CONDUCT

Pursuant to Sections 43(t) and 45 of Republic Act 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and Section 3(c) (iv) Rule 10 of its Implementing Rules and Regulations (IRR), herein applicant embraces and shall comply with Resolution No. 31, Series of 2006, the Code of Conduct for Competitive Retail Market Participants as promulgated by the Energy Regulatory Commission.

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

7. LEYECO IV prepared Accounting Separation Statements in accordance with the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives, based on its Audited Financial Statements (AFS) for the Years 2014 and 2015. Copies of the Accounting Separation Statements and AFS are attached hereto

and made integral parts hereof as Annexes “B” and “C”, respectively.

8. Finally, in addition to the BSUP, LEYECO IV is likewise submitting herewith for the Honorable 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 hereto and made integral parts hereof as Annexes “D” and “E,” respectively.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that after due notice and hearing, LEYECO IV’s proposed Business Separation and Unbundling Plan (BSUP) be approved accordingly.

Other reliefs, just and equitable under the premises, are likewise prayed for.

Finding the said Application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **7 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.**

Accordingly, LEYECO IV is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, the date of the publication to be made not later than ten (10) days before the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;

- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the Application and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the Application, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the Application and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and Pre-trial Conference, their respective Pre-trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

LEYECO IV must also be prepared to make an expository presentation of the instant Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

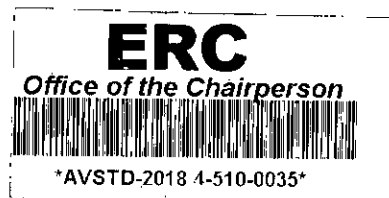
SO ORDERED.

Pasig City, 13 April 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


LS; SLAN/KTB/APV



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ORDER/13 APRIL 2018
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COPY FURNISHED:

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20. Commission on Audit (COA)
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21. Senate Committee on Energy
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22. House Committee on Energy
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24. Regulatory Operations Service (ROS)
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