

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. 2018-017 MC

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

Applicant.

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ORDER

On 29 November 2018, Misamis Occidental I Electric Cooperative, Inc. (MOELCI I) filed an *Application* dated 23 November 2018 seeking the Commission's approval of its Business Separation and Unbundling Plan (BSUP), pursuant to Section 36 of Republic Act No. 9136 and Rule 10 of its Implementing Rules and Regulations (IRR).

The pertinent provisions of the said *Application* are hereunder quoted as follows:

1. MOELCI I 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 address at Magcamiguing, Calamba, Misamis Occidental;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the municipalities of Aloran, Lopez Jaena, Plaridel, Calamba, Sapang Dalaga, Baliangao,

Concepcion and the city of Oroquieta, all in the province of Misamis Occidental.

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 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. In compliance with the requirements of the foregoing law, rules and resolutions, MOELCI I 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. MOELCI I's proposed BSUP is divided into six (6) sections, described in detail hereunder, as follows:

SECTION I. CURRENT STRUCTURE

A. CORPORATE PROFILE

The Misamis Occidental I Electric Cooperative, Inc. (MOELCI I) is an electric distribution utility registered with the National Electrification Administration (NEA) on August 18, 1972. Its coverage area consists of one (1) city and seven (7) municipalities of the 1st District of Misamis Occidental, namely: City of Oroquieta and the Municipalities of Aloran, Lopez Jaena, Plaridel, Calamba, Sapang Dalaga, Baliangao, Concepcion. Its main office is located in Magcamiguing, Calamba, Misamis Occidental.

CONSUMER PROFILE AS OF 2015: Residential: 40,104; BAPA – 2,194; Low Voltage: Commercial - 2,090; Public Buildings – 1,276; Street Lights – 86; Higher Voltage: Industrial – 91.

FINANCIAL AND STATISTICAL REPORT AS OF DECEMBER 31, 2015: Total kWh sales for 2015 amounted

to 45,877,824 broken down as follows: Residential: 25,064,086; Low Voltage: Commercial – 10,280,001; Public Buildings – 4,418,723; Street lights – 1,096,423; Higher Voltage: Industrial – 5,018,591.

B. CORPORATE STRUCTURE

MOELCI I's top management is headed by the Office of the General Manager and four (4) Departments and one (1) Area Office. All offices with their respective component Divisions are presented hereunder, to wit:

1. Office of the General Manager (OGM). Under the OGM is the Corporate Planning & MIS Division composed of two (2) Sections: Management Information Services Section and Corporate Planning Section.
2. Finance Service Department (FSD), divided into two (2) Divisions: Finance Services Division and Consumer Accounts Control Division.
3. Institutional Services Department (ISD), divided into two (2) Divisions: Membership Services Division and Administrative Division.
4. Technical Services Department (TSD) composed of two (2) Divisions: Engineering Services Division and the Line Services Division.
5. Internal Audit Department (IAD), composed of two (2) Sections: Financial Audit Section, and Technical Audit Section.
6. Area Office, composed of two (2) Divisions: Area Consumers Accounts Control Division and Operation and Maintenance Division.

C. DESCRIPTION OF FUNCTIONS

The following are the general functions of the organization:

1. **General Membership**
The duties of the General Membership are to vote, participate in the General and Special Meetings of members; purchase from the Cooperative electric energy, comply with and be bound by the Articles of Incorporation and By-Laws of the cooperative, any rule and regulation adopted by the Board, and requirements of the National Electrification Administration, and pay the membership fee.
2. **Board of Directors (BOD)**
The BOD is fully responsible to member-consumers for the management of internal affairs of the Cooperative, for public relations and for relations with Government and Public Agencies; It delegates detail management to the General

Manager, program planning, and supervision over execution of policies and programs; It has legal responsibility for assuring democratic functioning of the Cooperative as provided in by laws and for keeping members fully informed; It has obligation to promote member education in Cooperative principles and methods and in effective power use application; As trustees for membership, it is responsible for expenditure of funds, improvement and maintenance of facilities, good labor relations, building of community support, establishing a coordinated program of community development, good relation with state and national associations and other organization devoted to rural electrification and community development, attainment of area-wide service, compliance with provisions of loan contract and mortgage covenant and other agreements to which the Cooperative is a party.

- 3. Office of the General Manager (OGM)**
The OGM is responsible for the over-all management of the operations of the cooperative. It ensures the implementation of NEA- Approved Board policies and guidelines, cooperative laws, rules, regulations and guidelines and other applicable governing laws, rules and regulations as provided by the EPIRA.
- 4. Corporate Planning and ICT Department (CPICTD)**
The CPICTD is responsible in facilitating corporate activities such as strategic planning, realignment program of the management in connection with the current situation of the electric power industry and preparation with the open access retail competition of the cooperative. It is also responsible for providing policy, vision and technical expertise in support to the information technology of the cooperative.
- 5. Finance Services Department (FSD)**
The FSD is the implementing arm of the General Manager in terms of the financial operations of the cooperatives. It prepares the annual budget and financial plans, monthly financial and statistical report; responsible for the preparation of monthly billings of customers; it handles the procedures in the collection, deposit and transfer of funds as it also keeps the records of accounts and reports of all business transactions. The department serves as custodian of financial resources and documents.
- 6. Institutional Services Department (ISD)**
The ISD is responsible for the delivery of support services such as corporate image building. It ensures customer satisfaction thru cooperative's plans and projects and takes charge of the implementation of programs related to development of members, information campaigns, and district election activities, annual general membership assemblies, educating its members on their duties and on wise usage of electricity.

7. **Technical Services Department (TSD)**
The TSD directly addresses the planning, construction, operation and maintenance of the distribution system; conducts periodic system analysis and evaluation of distribution lines to minimize systems loss and it also maintains service reliability and efficiency.
8. **Internal Audit Department (IAD)**
The IAD ensures the effective and efficient implementation of internal control system in all the departments of the cooperative. It is also responsible in reviewing the systems established and recommends control measures and procedures on safeguarding assets. It performs inspection of projects, inventory of supplies, materials and equipment's, aging of receivables and submits audit reports to the GM.
9. **Area office**
The Area Office is responsible for the planning, supervision, direction and control of the operations of the area office which includes the operation and maintenance, meter reading, and collection activities in the area coverage.

D. **DESCRIPTION OF CURRENT PROCESSES**

1. **Membership and Service Connection Process**
Any applicant who wants to avail of electric service connection may inquire at the Main Office or Area Office. The Consumer Welfare Desk Officer (CWDO) shall provide the needed information and requirements.

The potential consumer submits the requirements and attends the membership orientation seminar scheduled every Tuesday and Friday. The membership seminar aims to inform the applicant of his duties, responsibilities and rights as a member consumer of MOELCI I. Upon completion of the requirements, inspection will follow. The inspection includes not only the technical/electrical standards but also the veracity of documents submitted by the applicant. Upon certification by the inspector, the applicant pays applicable fees for the service connection including the membership fee. An account number will be assigned to the new member/consumer to be inputted by the records clerk in the system. A photo shoot is required for a membership ID. This ID will serve as proof that he/she is a bona fide member of MOELCI I.

The SAAM Section shall determine the tapping point, type of kWh meter and size of wires to be used by the consumer before installation. A report shall be accomplished which includes the date and time of accomplishment for inputting to the system.

2. **Consumer Complaints and Dispatch Process**
Any complaints or service request of a consumer maybe made personally in the Main and Area Offices of MOELCI I

or thru telephone (landline or mobile) which can be attended by the CWDO. MOELCI I provides this service 24 hours on a daily basis. Thru the cooperative's system, the complaint type as well as the time of receipt is recorded. The assigned CWDO shall fill out the Service & Miscellaneous Order Form based on consumer's complaint to be personally handed by the consumer to LSD Head or to the Operation and Maintenance Leadman if maintenance related, which will be dispatched to the maintenance crew. For other than maintenance related complaints, the service order is forwarded to the concerned personnel for appropriate action. The maintenance crew or concerned personnel shall sign the service order, indicating the time accomplished and/or action taken. The CWDO shall then input the action taken and date and time of accomplishment. Monthly/quarterly consumers' complaints reports will be printed for evaluation and for submission to government agencies like ERC and NEA. For the cooperative, evaluation relates to the time involved in resolving a complaint, so that proper measures will be made to expedite such complaints.

3. Meter Reading and Billing Process

This system facilitates the billing of monthly statement of accounts, payment thru the tellers, and evaluation of kWh reading of consumers. Daily collections and deposits as well as summary reports of consumer payments are uploaded to the system. Likewise, monitoring of unread and unbilled consumers can be done through this system. Finally, the sales/revenue summary report for the month as to kWh and amount billed, type of consumer, breakdown of charges (unbundled), as well as system loss report will be available at the end of the billing process.

MOELCI is implementing a 10-day reading period. Monthly, meter readers are provided with meter reading gadgets, wherein route and account number of consumers for reading are provided for reading the kWh consumption of consumers and thereupon print and serve the Statement of Account to the consumer. Data uploading of kWh readings from the gadget is being done by the Meter Reading Specialist for review and evaluation. The Billing Analyst then processes the billing of evaluated kWh readings. The Billing Section Head sees to it that the reading schedule is being followed strictly, all consumers are billed and statement of accounts are being delivered to consumers on time.

4. Collection Process

Each district has collection centers with tellers, number of which depends on the number of consumers covered by each district. There are no field collectors. A consumer has his option to pay directly to the office or to any designated collection center.

For payment of power bills, the designated teller shall issue Official Electric Bill Receipt (OEBR) to the customer. At the

end of the day, the teller prints the Daily Collection Report (DCR) and remits its collection to the Cashier who then checks the accuracy of the deposits cash/checks vis a vis collection report, after which deposits the same to the depository banks of the cooperative. Daily pick up of deposits is being done by the depository banks as per deposit-pick up agreement with the cooperative. Cashier's Daily Collection Reports (CDCR) together with the bank validated deposit slips are forwarded to the bookkeeper for recording in the books of accounts.

5. Disconnection and Reconnection Process

Following the provisions of the Magna Carta and DSOAR on disconnection of consumers, MOELCI I's disconnection process starts from the generation of the list of consumers for disconnection. These listings are checked by the Collection/Disconnection Section Head and dispatched to the concerned disconnection crew. At the end of the day, the disconnection crew submits accomplishment reports for consumer status updating in the MRBS. Reconnection of electric service to a disconnected consumer shall only be made once the consumer pays the reconnection fee and settles the unpaid electric bills wherein a service order will automatically be forwarded to the CWDO for printing of the reconnection order. Upon reconnection, the date and time of accomplishment shall be posted to the system.

6. Requisition and Procurement Process

MOELCI I sets the guidelines and procedures on contracts, procurement or purchase of goods and services based on R.A. 10531. No procurement shall be undertaken unless it is within the approved Work Plan, CAPEX or Annual Cash Operating Budget.

This process starts with the requisition to be made by the requesting department. It applies to both CAPEX and Non-CAPEX expenditures.

Upon GM's approval of the request, the requesting department prepares the requisition voucher and determines or estimates the amount involved. Purchases of goods or services amounting to Php2Million and above shall be subjected to public bidding, procedures and process of which will be handled by the Bids and Awards Committee (BAC) which includes the evaluation, preparation of bid docs, publication of bidding, awarding of winners and recommendation to the General Manager. In order to enhance transparency, the Internal Audit Department Manager acts as observer in all the stages of the bidding process. Also to assist the BAC in the evaluation of the procured item/s, a Technical Working Group is created for quality control purposes. Upon the recommendation of the BAC, the Head of the Procuring Entity (HOPE) approves the recommendation and then present it to the Board of Directors for approval, after which, Notice of Award and

Purchase Order shall be issued to the winning bidder. Repeat order from a winning bidder is allowed as long as the price is the same or lower than the original bided price, provided the quantity should not be more than 25% of the latest procurement and is valid for a period of six (6) months from the date of bidding. For services, renewal of contract is allowed as long as the quality of service provided did not diminish.

For purchases of goods or services below Php2Million but above Php300.00, the BAC handles the procurement by securing sealed quotations/canvass from at least 3 suppliers, after which, a Purchase Order shall be approved by the GM before purchasing the same.

Emergency procurement is undertaken only in times where immediate action is necessary to avoid any delay in project/activity that would cause the cooperative imminent loss of life and/or property. All emergency procurement will be based on canvass of prices from at least 3 suppliers.

Procurement through direct purchase or negotiation may be allowed in cases where the competitive bidding is not feasible like in cases of sole distributorship and when there is failure in the bidding process for 3 times. Splitting of contracts/purchases is strictly prohibited.

7. Materials Inventory System Process

This process involves the system of receiving materials as a result of procurement and issuances as requested by the different departments.

The Warehouseman, after checking quality and quantity based on the approved Purchase Order, receives the materials from the suppliers. The checking/inspection shall be done by the Technical Auditor. The warehouseman will enter/input the materials received in the inventory system. Copies of Receiving Reports (RR) shall be printed and signed; together with the invoice and delivery receipt, one (1) copy is furnished to FSD for processing of payments and another copy to IAD for monitoring and control. The Work Order Officer generates from the inventory system a monthly summary of RR for recording to Material Receipt Register (MRR). Those items requiring technical inspection shall be tested and TSD or MIS and shall issue a certification on the testing that will be used as supporting document before complete payment is made. Items that failed the testing will be issued back to the supplier for replacement.

Issuance by the Warehouseman is based on the Request of Materials by the Department or Area Office duly approved by the General Manager. Material Charge Tickets (MCTs) are prepared for every requisition, recorded and updated into the system.

Receipt of materials by the Area Office on the other hand will be recorded as materials transferred to requesting area office. Every issuance that should be made is done by the Area Warehouseman using MCTs duly approved by the Area Manager.

MCTs are pre-numbered which will serve as reference in recording into the system. From the system, the Work Order Officer records, generates and prints the Material Register (MR).

8. Preparation of Monthly Financial Statements

Monthly Financial Statements particularly the Monthly Financial and Statistical Report (MFSR) is prepared monthly. The recording in the books, namely: Cash Receipt Register (CRR), Check Register (CR), Sales Register (SR), Materials Receipt Register (MRR) and Material Register (MR) are done during the different processes of the cooperative.

The General Journal (GJ), which involves the recording of entries that cannot be recorded in any other books, completes the books of MOELCI I. Duly approved journal vouchers are recorded by the Accounting Division Supervisor.

All book balances are consolidated in the Working Trial Balance prepared by the Accounting Division Supervisor. From the Trial Balance, the Monthly Financial Reports such as the Income Statement, Balance Sheet, and Statement of Cash Flow are prepared.

Other reports like Collection Efficiency, Accounting of RFSC Collections, Details of Capital Projects Disbursements, and other reports to NEA and ERC are also prepared using the said trial balance.

SECTION II. DETAILS OF BUSINESS SEGMENTS

MOELCI I is purely engaged in distribution and related activities. Although it is presently involved in four (4) business segments, to wit: Distribution Services (DS), Distribution Connection Services (DCS), Regulated Retail Services (RRS), and Related Business (RB), its BSUP includes other two (2) business segments, namely: Last Resort Supply Business (LRS) and Non-Regulated Retail Services (NRRS) to prepare the cooperative in the event that it will be engaged into such, using the same methodology on separation. Below is the description of each of the business segments:

Regulated Business Segments:

1. Distribution Services Business Segment (DS)

This segment has the following distribution services:

- 1.1 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).
- 1.2 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);
- 1.3 Planning, maintenance, augmentation and operation of the Distribution System.
- 1.4 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
- 1.5 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, as well as the related depreciation of these assets.

2. Distribution Connection Services Business Segment (DCS)

This segment has the following distribution connection services:

- 2.1 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:

- 1.2.1.1 from the facilities of persons which are directly connected to the Distribution System
- 1.2.1.2 from the Connection Point to the facilities of persons which are directly connected to the Distribution System;
- 2.2 Planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and
- 2.3 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, as well as revenues derived from the sale of related facilities, plant, or assets.

Costs include all costs associated with the management, maintenance, and operation of the Distribution Connection Assets in order to provide the distribution connection services, including the corresponding depreciation of the Distribution Connection Assets.

- 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:

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

4. Related Businesses Business Segment (RB)

This segment comprises the provision of all other services, and the carrying out of all other activities that utilize distribution assets, facilities, or staff including:

- 4.1 Electricity related services such as the construction and maintenance of customer installations and
- 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 the ACAM.

5. Last Resort Supply Business Segment (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 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 SOLR services of this particular business segment.

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 SOLR services.

Costs include 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.

Costs include all costs associated with the provision of the Wholesale Aggregation 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 business segment.

Non-Regulated Business Segments:

6. 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 not end-users and includes:

- a. Billing, collection and the provision of customer services to such end-users in their capacity as electricity consumers; or to such other customers in their capacity as purchasers of electricity.
 - b. Energy trading (including the purchase of electricity and hedging activities) undertaken in connection with the sale of electricity to end-users who are included in the contestable market or to other customers who are not end-users; and
- 6.3 Sale 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 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 in the contestable market or to other customers who are not 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 services or undertake the operational activities of this particular 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.

MOELCI I's BSUP likewise presents a detailed segregation of employees per department as well as an allocation of its assets to the appropriate business segments in which they are utilized.

SECTION III. ACCOUNTING SEPARATION

MOELCI I 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. Basic Accounting Principles
- c. Reporting Principles
- d. Chart of Accounts
- e. Allocation Principles
- f. Audit Requirements
- g. Other Requirements of the BSG on prohibition on discrimination, disclosure of information, prohibition on cross-subsidies
- h. Policies on limits of authority, capitalization policy and depreciation

SECTION IV. DESCRIPTION OF SEPARATION

Pursuant to the unbundling requirements of Section 36 of the Electric Power Industry Reform Act (the EPIRA), MOELCI I shall comply through this Business Separation and Unbundling Plan (BSUP) by allocating its accounts and employees to the appropriate business segment. MOELCI I will remain as of this filing a single entity and will be unbundled through separation of employees and its assets as deemed appropriate. The separation will be through

evaluation of workloads, job descriptions, qualifications and usage in the case of the fixed assets. It will allocate its departments to its business segments. Likewise, departments with un-attributable costs, allocation shall be made using the appropriate allocation factors as prescribed in the ACAM.

MOELCI I'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 Division

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), MOELCI I 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.

Copy of MOELCI I's Proposed BSUP is being submitted herewith and made integral part hereof as **Annex "A"**.

7. Further, MOELCI I prepared an Accounting Separation Statements in accordance with the Accounting and Cost Allocation Manual (ACAM) for Electric Cooperatives, based on its Audited Financial Statements for the Year 2015 for the Honorable Commission's consideration. The Accounting Separation Statements as well as the cooperative's 2015 Audited Financial Statements are attached hereto and made integral parts hereof as **Annexes "B" and "C"**, respectively.
9. Lastly, MOELCI I is likewise submitting herewith for the Honorable Commission's consideration and approval, a set of Confidentiality Policies and Guidelines to be observed by concerned personnel of the cooperative once its approved BSUP is implemented, together with a Board Resolution adopting certain sets of obligations imposed upon Distribution Utilities, 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

10. MOELCI I prays of this Commission that:

- a. After due notice and hearing, its proposed Business Separation and Unbundling Plan (BSUP) be approved, and
- b. Other reliefs, just and equitable in 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 **23 April 2019 (Tuesday) at nine o'clock in the morning (9:00 A.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, MOELCI I 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 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 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 OSG, the 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, to be attached to the Pre-trial Brief.

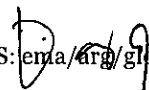
Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

MOELCI I 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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 18 February 2019.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS:ema/ara/glo 2018-017 MC MOELCI I BSUP doc.

COPY FURNISHED:

1. Misamis Occidental I Electric Cooperative, Inc. (MOELCI I)
Applicant
Magcamiguing, Calamba, Misamis Occidental
2. Atty. Ronald Ryan Sandigan
Counsel for Applicant MOELCI I
Units 1609-1610, Tycoon Centre, Pearl Drive, Ortigas Center, Pasig City 1605
3. Office of the Mayor
City of Oroquieta
4. Office of the LGU legislative body
City of Oroquieta

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5. Office of the Mayor
Aloran, Misamis Occidental
6. Office of the LGU legislative body
Aloran, Misamis Occidental
7. Office of the Mayor
Lopez Jaena, Misamis Occidental
8. Office of the LGU legislative body
Lopez Jaena, Misamis Occidental
9. Office of the Mayor
Plaridel, Misamis Occidental
10. Office of the LGU legislative body
Plaridel, Misamis Occidental
11. Office of the Mayor
Calamba, Misamis Occidental
12. Office of the LGU legislative body
Calamba, Misamis Occidental
13. Office of the Mayor
Sapang Dalaga, Misamis Occidental
14. Office of the LGU legislative body
Sapang Dalaga, Misamis Occidental
15. Office of the Mayor
Baliangao, Misamis Occidental
16. Office of the LGU legislative body
Baliangao, Misamis Occidental
15. Office of the Mayor
Concepcion, Misamis Occidental
16. Office of the LGU legislative body
Concepcion, Misamis Occidental
17. Office of the Governor
Province of Misamis Occidental
18. Office of the LGU legislative body
Province of Misamis Occidental
19. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
20. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
21. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
22. House Committee on Energy
Batasan Hills, Quezon City
24. Regulatory Operations Service (ROS)
[Tariffs and Rates Division (TRD)]
17th Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City