

**APPENDIX G – ACCOUNTING SEPARATION REPORTING
FORMATS (WHOLESALE AGGREGATION BUSINESS
SEGMENTS)**

Wholesale Aggregation, Electric Power Industry Participant _____
Statement of Income for the year ended _____

Account code or reference	Description	Wholesale Aggregation Services Million Pesos
	Revenue from the supply of electricity	
	Revenue from the sale of assets	
	Other revenue (analyzed as appropriate)	
	Total Revenue	
	Maintenance	
	Operating expenses (analyzed as appropriate)	
	Depreciation – Historic cost	
	Depreciation Appraisal increment	
	Total operating costs	
	Profit before interest and tax	
	Interest	
	Profit before tax and extraordinary items	
	Tax	
	Extraordinary Revenue Items ¹	
	Extraordinary Expense Items ¹	
	Profit after interest, tax and extraordinary items	

Business Separation Guidelines

Wholesale Aggregation, Electric Power Industry Participant _____
 Statement of Assets and Liabilities as at _____

Account code or reference	Description	Wholesale Aggregation Services Million Pesos
NON-CURRENT ASSETS		
	Utility plant and equipment – Historic cost	
	Utility plant and equipment – Accumulated Historic depreciation	
	Utility plant and equipment – Appraisal increment	
	Utility plant and equipment – Accumulated Appraisal depreciation	
	Buildings and improvements – Historic cost	
	Buildings and improvements – Accumulated Historic depreciation	
	Buildings and improvements – Appraisal increment	
	Buildings and improvements – Accumulated Appraisal depreciation	
	Information technology– Historic cost	
	Information technology– Accumulated Historic depreciation	
	Motor vehicles – Historic cost	
	Motor vehicles – Accumulated Historic depreciation	
	Investments and advances	
	Land and development	
	Other non-current – Net of accumulated depreciation	
	Total non-current assets	
CURRENT ASSETS		
	Cash and cash equivalents	
	Receivables	
	Investments	
	Prepayments	
	Materials and supplies	
	Other current assets	
	Total Current Assets	
TOTAL ASSETS		
NON-CURRENT LIABILITIES¹		
	Provisions ²	
	Loans	
	Total non-current liabilities	
CURRENT LIABILITIES		
	Trade payables and accrued expenses	
	Loans	
	Provisions	
	Total current liabilities	
TOTAL LIABILITIES		
NET ASSETS/ (LIABILITIES)		

¹ Long term borrowings and any tax liabilities and standard provisions generally included in the balance sheet in the General Purpose Financial Statements that pertain to the Electric Power Industry Group of which the Electric Power Industry Participant is a member, and that relate to the business as a whole, should be excluded from the statement of assets and liabilities for individual Business Segments because these items relate to the business as a whole and not to the individual Business Segments. Unallocated items such as these should be included in the reconciliation of the total statement of assets and liabilities to those General Purpose Financial Statements (see Appendix B).

² Includes any provisions that can be allocated to this particular Business Segment. Provisions refer to any standard provisions that are generally included in the General Purpose Financial Statements that pertain to the Electric Power Industry Group of which the Electric Power Industry Participant is a member. As defined in SFAS 1, Presentation of Financial Statements, a provision is a liability of uncertain timing or amount such as provision for warranties.

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Business Separation Guidelines

Wholesale Aggregation, Electric Power Industry Participant _____
Cash Flow Statement for the year ended _____

Account code or reference	Description	Wholesale Aggregation Services Million Pesos
Cash Flows from Operating Activities		
	Net income before tax and extraordinary items	
	Adjustments for depreciation – Historic cost	
	Adjustments for depreciation – Appraisal increment	
	Adjustments for foreign exchange loss / (gain)	
	Investment loss (income)	
	Interest expense (income)	
	Operating income before working capital charges	
	Decrease / (increase) in trade and other receivables	
	Decrease / (increase) in inventories	
	Increase / (decrease) in trade payables	
	Cash generated from operations	
	Interest paid	
	Income taxes paid	
	Cash flow before extraordinary items	
	Extraordinary gain / (loss)	
	Net cash from (used in) operating activities	
Cash Flows from Investing Activities		
	Acquisition of subsidiary	
	Purchase of plant and equipment (analyzed as appropriate)	
	Purchase of land and buildings	
	Interest received	
	Dividends received	
	Purchase of Other Investment Activities	
	Sale of Other Investment Activities	
	Net cash used in (from) investment activities	
Cash Flows from Financing Activities		
	Proceeds from issuance of stock	
	Proceeds from Long Term Debt (analyzed as appropriate)	
	Payment of financial lease liabilities	
	Dividends paid	
	Net cash used in (from) financing activities	
Net Change in Cash Equivalents		
	Cash and Cash Equivalents at Beginning of Year	
	Cash and Cash Equivalents at End of Year	

Business Separation Guidelines

Wholesale Aggregation, Electric Power Industry Participant _____
Revenue Schedule for the year ended _____

Account code or reference	Description	Wholesale Aggregation Services Million Pesos
	Direct revenue	
	Revenue from the supply of electricity	
	Revenue from the sale of assets	
	Other revenue (analyzed as appropriate)	
	Total direct revenue	
	Indirectly attributable revenue	
	Revenue from the sale of electricity and ancillary services	
	Revenue from the sale of assets	
	Other revenue (analyzed as appropriate)	
	Total indirectly attributable revenue	
	Unattributable revenue allocated	
	Revenue from the sale of electricity and ancillary services	
	Revenue from the sale of assets	
	Other revenue (analyzed as appropriate)	
	Total unattributable revenue	
	Total revenue	

Note: In addition to the above it is mandatory to produce for each revenue item that has been allocated to the Business Segment a supporting work paper that includes:

- (a) the amounts that have been indirectly attributed to the Business Segment
- (b) the amounts that have been allocated to the Business Segment
- (c) a description of the allocation basis
- (d) the numeric quantity of each allocation factor

Business Separation Guidelines

Wholesale Aggregation, Electric Power Industry Participant _____
Cost Schedule for the year ended _____

Account code or reference	Description	Wholesale Aggregation Services Million Pesos
Direct costs		
	Maintenance	
	Operating expenses	
	Depreciation	
	Other costs (analyzed as appropriate)	
	Total direct costs	
Indirectly attributable costs		
	Maintenance	
	Operating expenses (analyzed as appropriate)	
	Depreciation	
	Total indirectly attributable costs	
Unattributable costs allocated		
	Maintenance	
	Operating expenses (analyzed as appropriate)	
	Depreciation	
	Total unattributable costs allocated	
	Total operating costs	
	Direct extraordinary items	
	Indirectly attributable extraordinary items	
	Unattributable extraordinary items allocated	
	Total Extraordinary Items	

Note: In addition to the above it is mandatory to produce for each cost item that has been allocated to the Business Segment a supporting work paper that includes:

- (a) the amounts that have been indirectly attributed to the Business Segment
- (b) the amounts that have been allocated to the Business Segment
- (c) a description of the allocation basis
- (d) the numeric quantity of each allocation factor

Business Separation Guidelines

Wholesale Aggregation, Electric Power Industry Participant _____
Inter-segmental Transactions Note for the year ended _____

(a) Inter-segmental Revenues recorded in the Statement of Income

Reference	Description	Business Segment & Account debited	Business Segment & Account credited	Amount debited [Mil. Pesos]	Amount credited [Mil. Pesos]

(b) Inter-segmental Costs recorded in the Statement of Income

Reference	Description	Business Segment & Account debited	Business Segment & Account credited	Amount debited [Mil. Pesos]	Amount credited [Mil. Pesos]

APPENDIX H – TRANSFER PRICING METHODS

Methodologies for calculation of transfer prices for the purposes of the Accounting Separation Statements that the ERC considers are acceptable are described below.

1. Transfer prices for services, products and assets

The pricing of services, products or assets transferred between related entities/business segments should be consistent with one of the following methods:

Prevailing Market Price

Prevailing market prices for services, products or assets are generally accepted market prices that can be substantiated by clearly comparable transactions, auction prices or appraisal values (reduced to sound values). These prices are those that would be set for a transaction between non-related parties. If a prevailing market price is available, it should be the preferred transfer price for the services, products or assets, as it reflects the price of the service, product or asset based on prevailing market conditions and thus reflects the price of an arms length transaction.

Tariff Based Price

Tariff-based pricing uses prices that are approved by the ERC. The transfer price would be related to the forecast volumes times the approved price, less the forecasts of relevant future costs, all discounted for the expected time value of money.

Fully Allocated Costs

Fully allocated costs are the sum of direct plus an appropriate share of indirectly attributable costs and unattributable (common) costs. The fully allocated cost method of transfer pricing requires that revenues collected from the sale of products or services or the transfer of assets to internal business segments or related entities equals the sum of direct costs plus an appropriate share of indirectly attributable costs and common costs. The primary consideration is the reasonableness of the allocation of (or mark-up within the price to cover) unattributable (common) costs.

Incremental Cost

Incremental cost based pricing refers to the pricing of services, products or assets based on only the additional costs added by undertaking the operation in question or supplying the service or product in question, while fixed, shared and common costs are supported by pre-existing services. However, any incremental capital costs should also be included in an incremental analysis.

Cost Plus

The cost plus method of transfer pricing refers to the pricing of services, products or assets based on incremental costs plus an appropriate mark-up to reflect the share of joint and common costs that are attributable or may be fairly allocated to the product, service or asset.

Comparable Transaction Price

The comparable transaction approach compares the price for a service, product or asset transferred between related parties to the price charged for a comparable service, product or asset transferred between independent entities in comparable circumstances. A transaction is considered comparable if either:

- none of the differences between the transaction being compared or the enterprises undertaking the transactions could materially affect the price in the open market; or
- reasonably accurate adjustments can be made to take account of any material differences.

2. Transfer prices for capital assets transferred

For the purposes of this^s Guideline, any material transfer of capital assets to a related entity or internal business segment must be disclosed in the relevant Accounting Separation Statements as part of the disclosure made in relation to Inter-segmental Transactions. Such disclosure must identify the difference between the prevailing market price and net book value of those capital assets.

For the purposes of this provision, a material transfer of capital assets is a transfer of capital assets the value of which (as calculated in accordance with this Appendix G) is greater than 5% of the value of the net assets of the related entity or internal business segment to which those capital assets are transferred.

APPENDIX I – MANAGEMENT RESPONSIBILITY STATEMENT

The management of [ELECTRIC POWER INDUSTRY PARTICIPANT] is responsible for all information and representations contained in the Accounting Separation Statements for the year ended [DATE]. The Accounting Separation Statements have been prepared in conformity with the Business Separation Guidelines, As Amended promulgated by the Energy Regulatory Commission and are appropriate to meet the requirements of the Commission.

In this regard,

- (a) the management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that assets, liabilities and transactions are properly recorded and recognised and that revenues and costs are properly allocated; and
- (b) the accounting policies used are consistent with the requirements of the Business Separation Guidelines, As Amended.

This statement has been approved by a resolution of the governing body of [ELECTRIC POWER INDUSTRY PARTICIPANT] dated [], a certified copy of which is attached to this Statement.

Signature _____

Name _____

Date _____



APPENDIX J – AUDITOR’S REPORT

To the Energy Regulatory Commission

Scope

We have audited the attached special purpose financial report comprising the Accounting Separation Statements prepared by [ELECTRIC POWER INDUSTRY PARTICIPANT] for the year ended [DATE].

The Directors of [ELECTRIC POWER INDUSTRY PARTICIPANT] are responsible for the Accounting Separation Statements and have determined that the Accounting Separation Statements are appropriate to meet the requirements of the Energy Regulatory Commission, including that:

- the management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that assets, liabilities and transactions are properly recorded and recognised and that revenues and costs are properly allocated; and
- the accounting policies used are consistent with the requirements of the Business Separation Guidelines, As Amended.

We have conducted an independent audit of the Accounting Separation Statements in order to express an opinion on them to the Energy Regulatory Commission. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the Energy Regulatory Commission.

The Accounting Separation Statements have been prepared for the purpose of fulfilling [ELECTRIC POWER INDUSTRY PARTICIPANT’S] reporting requirements under the Business Separation Guidelines, As Amended. We disclaim any assumption of responsibility for any reliance on this report, or on the Accounting Separation Statements to which it relates, to any person other than the Energy Regulatory Commission, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with generally accepted auditing standards in the Philippines. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Accounting Separation Statements and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the Accounting Separation Statements are presented fairly in accordance with the requirements of the Business Separation Guidelines, As Amended.

Business Separation Guidelines

Audit Opinion

In our opinion, the Accounting Separation Statements have been properly drawn up in accordance with the Business Separation Guidelines, As Amended and the Accounting and Cost Allocation Manual (ACAM) that has been prepared by [ELECTRIC POWER INDUSTRY PARTICIPANT] and provided to the Energy Regulatory Commission and, in all material respects, present fairly:

- (i) the Statements of Income for each Business Segment;
- (ii) the Total Statement of Income (including its reconciliation to the General Purpose Financial Statements of the Electric Power Industry Group of which [ELECTRIC POWER INDUSTRY PARTICIPANT] is a member);
- (iii) the Statement of Assets and Liabilities for each Business Segment;
- (iv) the Total Statement of Assets and Liabilities (including its reconciliation to the General Purpose Financial Statements of the Electric Power Industry Group of which [ELECTRIC POWER INDUSTRY PARTICIPANT] is a member); and
- (v) the Cash Flow Statement for each Business Segment.

Material exceptions and their respective effects on the Accounting Separation Statements are as follows:

[Describe any material exceptions]

Date: _____
Firm: _____
Partner: _____
Address: _____