

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE  
PETITION FOR  
APPROVAL/REVIEW OF THE  
BUSINESS SEPARATION AND  
UNBUNDLING PLANS (BSUP)  
AND COST ALLOCATION  
MANUAL (ACAM) PURSUANT  
TO THE PROVISION OF  
SECTION 36 OF R.A. 9136, AND  
RULE 10 OF THE  
IMPLEMENTING RULES AND  
REGULATIONS**

**ERC CASE NO. 2015-020 MC**

**PROVINCE OF SIQUIJOR  
ELECTRIC COOPERATIVE,  
INC. (PROSIELCO),**

**Petitioner.**

X-----X

DOCKETED  
Date: DEC 17, 2015  
By: [Signature]

**ORDER**

On May 5, 2015, the Province of Siquijor Electric Cooperative, Inc. (PROSIELCO) filed a petition for approval/review of its Business Separation and Unbundling Plan (BSUP) and Cost Allocation Manual (ACAM) pursuant to the provision of Section 36 of Republic Act 9136 and Rule 10 of its Implementing Rules and Regulations.

In the said petition, PROSIELCO alleged, among others, that:

1. PROSIELCO is an electric cooperative duly established and existing pursuant to the provision of P.D. 269, as amended by P.D. 1645 and was issued the franchise to operate by the National Electrification Administration (NEA). The principal office of PROSIELCO is located at Barangay Nonoc, Larena, Siquijor and represented herein by its General Manager Laureen B. Malolot, also with office address located at barangay Nonoc, Larena, Siquijor

[Signature]

where PROSIELCO may be served with the processes of the Commission;

2. Pursuant to the provision of Section 36 of R. A. No. 9136 and Rule 10, Section 3(b) of its Implementing Rules and Regulations, and pursuant to ERC promulgated Resolution No. 49, Series of 2006 as well as Resolution No. 07, Series of 2012, all Electric Power Industry Participants shall prepare and submit for approval by the ERC its BSUP;
3. In accordance with the provision of paragraph (c), Section 3, Rule 10 of the Implementing Rules, ERC Resolution No. 49, Series of 2006 and Resolution No. 07, Series of 2012, PROSIELCO submits its BSUP containing the following:

### **PROPOSED BSUP**

#### **SECTION 1. DETAILS OF CURRENT STRUCTURE**

##### **1.1 EC PROFILE**

###### **1.1.1 EC Background:**

The Province of Siquijor Electric Cooperative, Inc. (PROSIELCO) is an electric cooperative organized and incorporated on December 22, 1977 and was registered with the National Electrification Administration (NEA) and was given a Certificate of Franchise by the National Electrification Commission (NEC) on June 20, 1984 authorizing PROSIELCO to operate for a period of fifty (50) years pursuant to the provisions of P.D. 269 as amended by P.D. 1645.

###### **1.1.2 Coverage Area:**

The area coverage of PROSIELCO as per its Certificate of Franchise includes the municipalities of Larena, Enrique Villanueva, Maria, Lazi, San Juan and Siquijor, all in the Province of Siquijor.



**1.1.3 Profile of Customers Served:**

PROSIELCO is categorized as Medium electric cooperative with a total number of member-consumers as follows:

<b>Number of Consumers Per Classification:</b>	
Residential	15,463
Small Commercial	1,577
Large Commercial	160
Industrial	150
Public Buidling	629
Street Lights	174
<b>TOTAL NUMBER OF CONSUMERS</b>	<b>18,153</b>

**1.1.4 Sales/Demand:**

<i>Year 2011 Data</i>	
Total Purchased ( <i>kwh</i> )	14,411,529
Total Sales ( <i>kwh</i> )	12,903,362
Total Revenue ( <i>Pesos</i> )	142,699,803
Lifeline Consumers	8,103
Lifeline ( <i>sales in kwh</i> )	919,631
Non-Lifeline ( <i>sales in kwh</i> )	11,983,730
Collection Efficiency	99.57%
System Loss (%)	10.47%
Average Demand ( <i>kw</i> )	1,668
Peak Demand ( <i>kw</i> )	3,464
System Load Factor	49.70%
System Power Factor	98%

**1.1.5 Number of Employees:**

With a total of 58 plantilla positions of PROSIELCO as approved by the National Electrification Administration, in the year 2011, PROSIELCO had the following number of employees:

<b>As of December 31, 2011</b>	
NEA Approved Plantilla Positions	58
Filled Up (Regular Employees)	48

Vacant Positions	10
Casual Employees	6
Contractual Employees	4

## **1.2 ORGANIZATIONAL STRUCTURE**

PROSIELCO is divided into the following:

### **A. MEMBERS/CONSUMERS:**

The topmost in the organizational structure of PROSIELCO is its members who are considered as the lifeblood of the cooperative.

### **B. BOARD OF DIRECTORS**

The second in the cooperative's structure is the Board of Directors which is composed of six (6) directors representing the six (6) municipal districts of the Island Province of Siquijor, the entire coverage area of PROSIELCO.

### **C. OFFICE OF THE GENERAL MANAGER**


This includes the General Manager, Internal Auditor, Executive Secretary, Radio Operators and the Staff Driver.

### **D. INSTITUTIONAL SERVICES DIVISION (ISD)**

Composed of the ISD Chief, MCSD Supervisor, HR/Adm. Supervisor, Training/Information Officer, Housewiring Coordinator/Inspector, Complaints/Records Clerk, Purchaser, Computer Technician, Administrative Clerk, Driver Mechanic and Utilitymen.

### **E. TECHNICAL SERVICES DIVISION (TSD)**

Comprised the TSD Chief, System Engineer, Warehouseman, Foreman, Asset Management Officer, Meter Technician, Metermen / Linemen, Linemen,



Draftsman, Driver/Groundman, Warehouse Clerk, Engineering Clerk and Engineering Aide. The TSD is in-charge of Planning and Design, Line Construction & Maintenance and Warehousing.

## **F. FINANCE SERVICES DIVISION (FSD)**

The Finance Services Division (FSD) is composed of the FSD Chief, Accountant, Cashier, MRBC Supervisor, Bookkeeper, Work Order Officer, Tellers, Meter Readers/Collectors, Bill Custodian, Billing/Posting Clerks and Accounting Clerk.

**1.2.1 Statement of General Function of Each Division:** The general function of various divisions within the Organization of PROSIELCO is found in the Organizational Structure of the submitted documents as attached to the application.

**1.2.2 Specific Functions of Each Division:** The detailed function of each division is found in the Organizational Structure of the submitted documents as attached to the application.

**1.2.3 Organizational Chart per Division:** The Organizational Chart per division of the PROSIELCO is found in the Organizational Structure of the submitted documents as attached to the application.

## **1.3 DESCRIPTION OF CURRENT PROCESS**

**1.3.1 Detailed Description.** The detailed description of current process refers to Membership Application Process, Application for a Connection Process, Housewiring Loan Process, Meter Reading, Billing & Collection Process, Handling Complaints/Requests, Disconnection Process, Reconnection Process and Procurement of CAPEX and Non-CAPEX. These are all found in the Description of Current Process of the submitted documents as attached to the application.

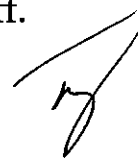
**1.3.2 Flow Charts** are found in the Description of Current Process of the submitted documents as attached to the application.



## SECTION 2. DETAILS OF BUSINESS SEGMENT

**2.1 The Details of the Business Segment.** PROSIELCO in the unbundling of its business segment is divided into four (4) segments. But it intends to add two (2) business segments in its application for future application in the event that it will already be capable of applying said segments, making a total of six (6) business segments in the future. These business segments are as follows:

- a) **Distribution Services (DS)** - consists of conveyance of electricity through the distribution system and the control and monitoring of electricity. The provision of Ancillary services; Planning, maintenance, installation, commission, testing, repair, maintenance and reading of WESM; the Billing, collection and the provision of customer services directly related to the delivery of electricity.
- b) **Distribution Connection Services (DCS)** – provides for the capability at each Connection Point to a Distribution System for conveyance to facilities of persons directly connected to the augmentation, testing and operation of Distribution Connections Assets; and the provision of other services in support of any of the other services.
- c) **Regulated Retail Services (RRS)** – consists of the sale of electricity to end-users who are included in the Captive Market; the billing and collection and the provision of customer services to end-users; Energy trading, including the purchase of electricity and hedging activities; and the Sale of electricity to end-users who are included among the Captive Market.
- d) **Related Business Services (RBS)** – consists of the provision of all other services and the carrying out of all other activities that utilize distribution assets, facilities or staff.



- e) **Last Resort Supply Services (LRSS)** – comprises the provision of 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.
  
- f) **Non-Regulated Retail Services (NRS)** – 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 (*included in the attached application for future application*).

The Details of the Business Segments are found in Section 2 of the submitted document as attached to the application.

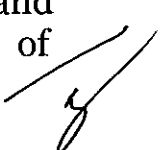
**2.2 Segregation of Employees** – The cooperative segregation of employees per division is already contained in Section 2 – Details of Business Segment of the submitted documents as attached to the application.

**2.3 The Description of Assets** - the description of Assets is also found in Section 2 of the submitted documents as attached to the application. The assets of PROSIELCO are allocated into different distribution business segments thru the Asset Allocation factor as stated in the ACAM approved by the ERC.

### **SECTION 3 - ACCOUNTING SEPARATION**

**3.1 Principles to Achieve Accounting Separation** – In accordance with the ERC approved ACAM, PROSIELCO undertakes to adopt the said manual in its operation. In addition, it shall observe PROSIELO Board Resolutions No. 018 s. of 2009 and No. 01 s. 2003 on checks disbursements. It shall also follow the procurement procedure and depreciation policy based on NEA Memoranda.

**3.2 Allocation Principles** – The allocation methodologies used to allocate costs and revenues to and between Business Segments include: the description of



basis, formulae and/or methodology used in respect of each cost and revenue item; the reason for choosing the basis, formula or methodology and the quantification of any factors applied in allocating unattributable costs or revenue.

**3.3 Chart of Accounts** – PROSILECO shall adopt the Chart of Accounts as stated in the approved Accounting and Cost Allocation Manual (ACAM) Chart of Accounts.

**3.4 Basic Accounting Principles** – PROSIELCO intends to present its financial statements with the following frameworks, concepts, characteristics and assumptions such as understandability, relevance, reliability, comparability, consistency, going concern and accrual.

**3.5 Requirement for Audit** – In accordance with Article 2.8 of the Approved Business Separation Guidelines (BSG) as amended, the Cooperative shall comply and commit to submit an audited Accounting Separation Statements duly signed and dated by an external auditor following the format provided in the guidelines.

**3.6 Other Requirements (Article 5 of the BSG)** – PROSIELCO shall likewise observe the provisions under Article 5 of the Business Separation Guidelines (BSG) as amended which refers to **Other Requirements** particularly item 5.1, 5.2, 5.3, 5.6, 5.7 and 5.8.

#### **SECTION 4 – DESCRIPTION OF SEPARATION**

**4.1 General Structure Per Business Segment:** The Business Segment of PROSIELCO is composed of the following: a) Distribution Service; b) Distribution Connection Service; c) Regulated Retail Service; and d) Related Business. However, PROSIELCO is applying two (2) additional business segments for future application, namely: Last Resort Supply Services and Non-Regulated Retail Services.

**4.2 Detailed Structure Per Business Segment:** This sub-section presents the detailed structure of each business segment as stated in Sub-section 4.1 above.

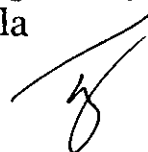
**4.3 Detailed Structure Per Division:** This sub-section presents in detail the various structure of the various divisions of PROSIELCO.





**SECTION 5. MILESTONES AND HIGHLIGHTS**

- March 16-17, 2011 - Conference - Workshop on the Revised Accounting Cost Allocation Manual (ACAM) held at Jade Valley Restaurant, Quezon City
- February 29, 2012 - Expository Presentation on the Proposed Accounting and Cost Allocation Manual (ACAM) held at Cebu Business Hotel, Cebu City
- March 21, 2012 - Public Consultation for ERC Case No. 2011-008, entitled "In the Matter of the Petition for the Adoption of the Proposed ACAM for Electric Cooperatives" held at Rajah Park Hotel, Cebu City
- June 14-15, 2012 - Orientation on the Business Separation and Unbundling Plan (BSUP) Preparation held at Rajah Park Hotel, Cebu City
- October 23-26, 2012 - Seminar Workshop on the Business Separation and Unbundling Plan (BSUP) and Orientation on the Approved ACAM held at Rajah Park Hotel in Cebu City
- December 31, 2012 - Submission of PROSIELO – BSUP to the Board for Approval and for applying for ERC's Approval
- January 23, 2013 - Submission of PROSIELCO - BSUP to ERC for Evaluation and Recommendation, ERC Manila
- February 7, 2013 - Second Evaluation of PROSIELCO - BSUP by the Energy Regulatory Commission, ERC Manila
- April 2015 - Filing of BSUP Application with the Energy Regulatory Commission (ERC), Manila



- November 2015 - Training on BSUP Implementation for the Personnel Involved in BSUP:  
First Week: FSD – Accountant, MRBC Supervisor, Bookkeeper, Work Order Officer & Accounting Clerk  
Second Week: TSD – TSD Chief, System Engineer, Warehouseman, Warehouse Clerk, Meter Technician, Engineering Clerk  
Third Week: ISD – HR/Adm Supervisor, MCSD Supervisor, Training/Information Officer & Complaints/Records/Clerk
- First Quarter of 2016 - Implementation of the approved PROSIELCO-BSUP

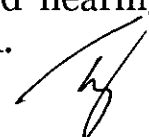
PROSIELCO shall implement the proposed organizational chart immediately upon the approval of the Business Separation and Unbundling Plan by the Energy Regulatory Commission (ERC). The General Manager and each Division Chief of the three divisions, Finance, Institutional and Technical are assigned to take charge for the proper implementation and monitoring of the Plan.

#### **SECTION 6 – PROGRAMS FOR CODE OF CONDUCT**

PROSIELCO shall earnestly comply with the provisions of Resolution No. 31 Series of 2006 issued by the ERC pursuant to Sections 43 (t) and 45 of R. A. 9136 and Section 3 (c) (iv) Rule 10 of its Implementing Rules and Regulations. In particular, PROSIELCO shall comply with the provisions of the Code as provided in Article I, Section 1, thereof to protect consumers and promote consumer confidence in retail electricity and other purposes.

**The Accounting and Cost Allocation Manual (ACAM)** has been prepared and formulated in accordance with the guidelines issued by this Commission which is attached to the application and partly incorporated in its Business Segregation and Unbundling Plan.

4. It prays that after due notice and hearing, the submitted BSUP of PROSIELCO be approved.



Finding the said petition sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **February 4, 2016 (Thursday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

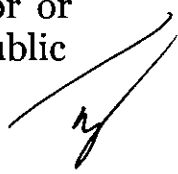
PROSIELCO is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, with the date of the publication to be made not later than ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant petition, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished 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.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of the Province of Siquijor and the Mayors of the Municipalities within PROSIELCO's franchise area for the appropriate posting thereof on their respective bulletin boards.

PROSIELCO is directed to furnish all those making requests therefor with copies of the petition and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and pre-trial conference, PROSIELCO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public



Hearing was published together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

PROSIELCO and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) a summary of admitted facts and proposed stipulation of facts;
- b) the issues to be tried or resolved;
- c) the documents or exhibits to be presented, stating the purposes and proposed markings thereof; and
- d) the number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of PROSIELCO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses 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 said date of cancellation.

As part of the pre-trial conference, PROSIELCO must also be prepared to make an expository presentation of its petition, 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 petition is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 14 December 2015.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
Chairman

**Copy Furnished:**

1. **Atty. Zenon S. Suarez**  
Counsel for Petitioner  
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2. Province of Siquijor Electric Cooperative, Incorporated (PROSIELCO)  
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3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village,  
City of Makati 1229
4. Commission on Audit (COA)  
Commonwealth Avenue,  
Quezon City 1121
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard,  
Pasay City 1300
6. House of Representatives Committee on Energy  
Batasan Hills, Quezon City 1126
7. Office of the Municipal Mayor  
Enrique Villanueva, Siquijor
8. Office of the Municipal Mayor  
Larena, Siquijor
9. Office of the Municipal Mayor  
Lazi, Siquijor
10. Office of the Municipal Mayor  
Maria, Siquijor
11. Office of the Municipal Mayor  
San Juan, Siquijor
12. Office of the Municipal Mayor  
Siquijor, Siquijor
13. Office the Provincial Governor  
Province of Siquijor
14. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, Sen. Gil Puyat Avenue, Makati City

