

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. 2016-033 MC

**NORTHERN NEGROS
ELECTRIC COOPERATIVE,
INC. (NONECO),**

Applicant.

X-----X

D O C K E T E D
Date: APR 19 2018
By: [Signature]

ORDER

On 21 October 2016, an *Application* dated 17 October 2016 was filed by applicant Northern Negros Electric Cooperative, Inc. (NONECO) 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.

NONECO alleged the following in its Application:

1. NONECO 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 Tortosa, Manapla, Negros Occidental;

2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the cities of San Carlos, Escalante, Sagay, Cadiz and Victorias as well as the municipalities of Calatrava, Toboso, Manapla, and E.B. Magalona, all in the Province of Negros Occidental.

3. Section 36 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 or "EPIRA",

[Handwritten mark]

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, NONECO 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. NONECO's proposed BSUP is divided into six (6) sections, described in detail hereunder, as follows:

SECTION I. CURRENT STRUCTURE

A. CORPORATE PROFILE

Northern Negros Electric Cooperative, Inc. (NONECO) (*formerly VRESKO*) is a non-stock, non-profit and membership owned electricity distribution cooperative, organized in accordance with Presidential Decree No. 269 as amended, and was incorporated on April 1963. NONECO is serving the northern part of Negros Occidental with an estimated land area of 2,841 sq. km. The franchise area covers five (5) component cities and four (4) municipalities, i.e., the cities of Cadiz, Escalante, Sagay, San Carlos and Victorias, and the municipalities of Calatrava, E.B. Magalona, Manapla and Toboso.

CONSUMER PROFILE AS OF 2015:

Residential: 113,829. Low Voltage: Commercial- 3,431; Industrial - 73; Irrigation - 22; Public Buildings - 599; Communal - 46; Street Lights - 1,333. Higher Voltage: Commercial - 13; Industrial - 27; Public Buildings - 2.

FINANCIAL AND STATISTICAL REPORT AS OF DECEMBER 31, 2015:

Total kWh sales for 2015 amounted to 167,722,324. broken

8

down as follows: Residential: 88,089,036; Low Voltage: Commercial- 25,014,477; Industrial - 7,072,288; Irrigation - 1,683,535; Public Buildings-7,493,690; Communal - 2,001,999; Street lights- 2,848,121. High Voltage: Commercial - 5,345,530; Industrial - 27,742,224; Public Buildings - 431,424.

B. CORPORATE STRUCTURE

In its approved re-organization, NONECO has six (6) departments under the Office of the General Manager, presented hereunder with their respective component Divisions, to wit:

1. Finance Services Department
 - Accounting Division
 - Consumer Accounts Division
2. Institutional Services Department
 - Human Resource Division
 - Power Pilferage and Apprehension Division
 - Administrative Division
 - Consumer Affairs Division
3. Technical Services Department
 - Distribution Asset Management Division
 - Distribution Network Management Division
4. Internal Audit Department
 - Financial Audit Division
 - Operations and System Audit
5. CORPLAN Information Technology and Energy Trading (CITET) Department
 - Information Technology and Database Management Division
 - Corporate Planning and Energy Trading Division
6. District Operations Department
 - Six (6) Area Offices:
 - E.B. Magalona Area Office (EBMAO)
 - Victorias Area Office (VAO)
 - Cadiz Area Office (CAO)
 - Sagay Area Office (SAO)
 - Escalante Area Office (EAO)
 - San Carlos Area Office (SCAO)
 - Three (3) Field Offices:
 - Manapla Field Office under the supervision of VAO
 - Toboso Field Office under the supervision of EAO
 - Calatrava Field Office under the supervision of SCAO

A. DESCRIPTION OF FUNCTIONS

The following are the general functions of the organization:

8

1. General Membership

- To vote.
- To participate in the General and Special Meetings of members.
- To purchase from the Cooperative electric energy
- To 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
- Pay the membership fee

2. Board of Directors

- 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.
- Delegates detailed management to the General Manager, program planning, and supervision over execution of policies and programs.
- Responsible for assuring democratic functioning of the Cooperative as provided in by laws and for keeping members fully informed.
- The 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

- Responsible for the over-all planning, organizing, directing, controlling and coordinating of all activities, programs and projects of the cooperative.
- Insures implementation of NEA-governed policies, guidelines and other governing laws, rules and regulations and that of the cooperative.
- Plans and/or reviews/approves feasibility of projects
- Sees to it that all planned and approved targets, activities and projects are accomplished accordingly and efficiently.
- Ascertains that all assets and properties of the coop are properly accounted and safeguarded from destruction or losses of any kind.
- Keeps the Board fully informed through written/verbal reports monthly or as needed and make recommendations to

the Board on objectives, plans, policies and programs, and actions needed for the development of the program.

- Submits report to the Board and NEA

4. Institutional Services Department (ISD)

- Responsible for the effective and efficient delivery of shared support services such as productive human resources, safe administrative and general services, warehousing, corporate imaging and networking.
- Responsible for effective advocacy programs on consumer's awareness, organization and development, services and reliable consumer master list.
- Responsible for effective and efficient detection of pilferers and apprehension of delinquent consumers.

Human Resource Division

- Assists the ISD Manager in developing personnel management methods and procedures to deal with position descriptions, organizational structure, staffing, ranking, personnel recruitment, selection, appointments and development of personnel.
- Responsible in the efficient administration of comprehensive personnel programs toward employees growth, development and welfare.
- Responsible for fair and responsive manpower complement and maximum productivity of the coop organizational structure.
- Develops implements and evaluates policies, systems and procedures pertaining to HR management, administration and development.
- Responsible for the conduct of discipline of coop employees

Power Pilferage and Apprehension Division

- Responsible for effective and efficient power pilferage detection and apprehension activities pursuant to the provision of R.A. 7832/Anti-Pilferage Law.

Administrative Division

- Responsible for proper administration, management, maintenance and monitoring of coop properties, equipment, supplies, materials and fixtures.
- Responsible of ensuring the efficient and proper control system on warehousing, maintenance and repairs of coop vehicles, timely registration and renewal of the same, building maintenance and other properties improvement system.
- Maintains orderliness and cleanliness of the surroundings, buildings, and premises.

Consumer Affairs Division

- Responsible on effective and responsive implementation of plans on consumer organization, awareness and activities for



the promotion of good public relations and goodwill geared towards consumers' support and satisfaction.

- Ensures the efficient processing of membership/service connection applications
- Keeps an up-to-date and accurate records of membership/actual member-consumers
- Takes charge of the effective and successful implementation of information campaign, annual/ membership meetings, district elections/meetings and training/seminars of the cooperative's members
- Educates member-consumers on their duties and responsibilities and wise use of electricity
- Prepares plans and supervises the work activities of power use, special projects and BAPA organization and operation.

5. Technical Services Department (TSD)

- * Responsible for the efficient, quality, safety and reliability of the distribution and sub- transmission system for the maximum utilization of the electricity distribution system in compliance with the Philippine Grid and Distribution Code and Philippine Electrical Code.

Distribution Asset Management

- Responsible for the efficient/ accurate plans and designs to improve the distribution system, effective management of all distribution assets and network system to ensure power quality, reliability, safety and sufficiency of power.
- Responsible for an updated Distribution Development Plans (DDP) for implementation in compliance with the DOE Energy plan, PGC, PDC, and NEA.
- Responsible for the operation and maintenance of cooperative's substations, including inspections, and recommends preventive measures to avoid substation breakdown.
- Ensures continuous reliable, efficient, and safe delivery of electric service through the conduct of preventive maintenance of substations, distribution system equipment, and all other special equipment including precision instruments.
- Insures and implements standard preventive maintenance of transformer, kWh meters and other system equipment and facilities.
- Implements and maintains metering standards and monitors and sees to it that systems loss (technical) is within allowable limits of NEA
- Undertakes As-Built plans and reports completed projects

Distribution Network Management

- Responsible for capable, efficient and adequate work force for line construction and operation of distribution/electric system.
- Responsible for the safe, efficient and reliable construction, line upgrading and maintenance of sub-

transmission and distribution line in accordance with the prescribed standards and specification under the Philippine Grid and Distribution Code, Philippine Electrical Code and the like.

- Assist in the construction and insures maintenance of a safe and reliable line extensions.
- Responsible for the sound financial management of the cooperative through an effective and systematic procedure in accounting and settlement of payables.
- Responsible for the accuracy of tariffs, meter reading, billing and collection of accounts receivables.

6. Finance Services Department

- Responsible for the sound financial management of the cooperative through an effective and systematic procedure in accounting and settlement of payables.
- Responsible for the accuracy of tariffs, meter reading, billing and collection of accounts receivables.

Accounting Division

- Responsible for the effective and efficient accounting, sound financial management and accurate/reliable financial records
- Responsible in the supervision of timely and accurate preparation and submission of required financial and statistical reports.
- Responsible for the supervision of efficient and effective discharge and settlement of the cooperative's financial obligations.

Consumer Accounts Division

- Responsible for the efficient and effective collection and monitoring of Consumers Accounts Receivables.

7. Internal Audit Department

- Responsible for the effective and efficient internal control systems and procedures of the cooperative.

Financial Audit Division

- Responsible for systematic audit procedures for sound examination, verification of data concerning financial operation of the coop to safeguard the coop assets from losses and misappropriation.

Operations and System Audit

- Responsible for the efficient and reliable system operation, safety, security and accountability of the cooperative's assets and properties.

8.

8. CORPLAN Information Technology and Energy Trading (CITET) Department

- Responsible for the cooperative's corporate direction and compliances with the regulatory agencies requirements thru the integrated plans and programs under e-ICPM.
- Responsible for the sufficiency and security of power supplies at reasonable cost and efficient trading services of the cooperative through the Wholesale Electricity Spot Market (WESM).
- Responsible for the accurate data base management and information technology.

Information Technology and Database Management Division

- Responsible for the integrity, accuracy and security of the cooperative's data base management and information technology (hardware and software applications).

Corporate Planning and Energy Trading Division

- Responsible for a reliable, responsive and effective corporate plans, research and program development for the achievement of corporate goals and targets in compliance with the standards of Regulatory Agencies.
- Responsible in managing well-coordinated energy trading activities and supports financial and utility rate decision making in a competitive Spot Market trading and retailing system to ensure an efficient and economical supply of electric energy.
- Responsible for the strategic planning, power supply contracting, applicability of cooperative electricity tariff, energy trading in the spot market.
- Responsible in all corporate requirements and compliances with ERC, Transco, NEA and other related government agencies.

9. Area Operations Department

- Responsible for an efficient and effective delivery of consumers services but not limited to service connection, meter reading and billing distribution, collection, disconnection, reconnection and handling customer's complaints.
- Responsible for the effective implementation of system loss reduction and reliability program.
- Responsible for the safe warehousing of all logistics, upkeep of the entire area office and the mobility at all times.

Area Offices

- Responsible for the efficient and effective management of operation in the designated area office to ensure attainment of the cooperative's goals and targets.

D. DESCRIPTION OF CURRENT PROCESSES

1. Application for Membership Process

The Consumer Welfare Coordinator (CWC) determines if applicant has an existing membership. If none, he will be required to attend the Pre-Membership Orientation Seminar (PMOS) in order to be aware of the needed information and requirements as well as his duties, responsibilities, and rights as a member-consumer of NONECO. Upon submission of the requisites, attendees are issued Certificate of Attendance to followed by image capturing or picture taking for issuance of ID and encoding of all necessary data. Monthly, the CWC collates all processed applicants for membership and submits to Member Services Division for endorsement to the Board of Directors for approval. Once approved, Membership ID and Certificate of Membership is issued to the new member-consumer. The ID and Certificate serves as proof that he/she is a *bona fide* member of NONECO.

2. Service Connection Process

There are two (2) types of service connections in NONECO: Service Connection for Low Voltage Consumer or Residential which is being undertaken by Area Offices, and Service Connection for Voltage (Primary Metering) and Big Loads Consumers (Three Phase Secondary Metering) is being undertaken by the Technical Services Department (TSD).

a) Service Connection for Low Voltage Consumer or Residential rendered by Area Office

Upon completion of the requirements for membership, inspection will follow to determine if connection is possible and if so, Staking Sheet will be finalized and submitted to the Operation and Maintenance Supervisor who in turn, will endorse to the CWC for reference. The CWC will compute all necessary fees to be charged to the new customer. After payment of such fees, preparation of Turn-On Order and assignment of the account number follows. The Turn-On Order serves as request for the issuance of kWh meter and service drop which will be approved by the Area Manager. Linemen will install the kWh meter and service drop of the new customer. A report will be prepared which includes the date and time of accomplishment for inputting in the system.

b) Service Connection for High Voltage (Primary Metering) and Big Loads Consumers (Three Phase Secondary Metering) is undertaken by the TSD.

Upon the applicant's submission of Electrical Plan signed and sealed by a Professional Electrical Engineer, the System Evaluation Officer evaluates the Electrical Plan. If qualified, applicant shall pay the inspection fees to the Teller; Line Survey Officer will conduct staking/inspection. The CWDC will provide the Application Form and checklist requirement. The System

Evaluation Officer will decide what materials and electrical equipment the applicant needs to provide together with the cost estimate. The Meter/Equipment Technician will perform the testing of electrical equipment and materials.

The ISD prepares the Contract Agreement for the approval of the General Manager and the Contracting parties. After payment of labor and material cost, the Design & Planning Engineer issues job order for construction and execution to the Service Installation & Construction Engineer. Subsequently, the Design & Planning Engineer takes charge of preparing as-built staking sheet for final inspection and acceptance. The Service Installation Engineer then issues turn-on order for the approval of the General Manager. If approved, lineman conducts energization and submits report to TSD. TSD Manager then furnishes file to CITET.

3. Consumer Complaints & Dispatch Process

A complaint or service request of a customer maybe made personally in any of the offices of NONECO or through telephone (landline or mobile) which may be attended to by the CWC or Help Desk Support. NONECO provides services 24 hours on a daily basis. Thru its system, the complaint type as well as the time of receipt are recorded. The assigned CWC or Help Desk Support prints an Acknowledgement Receipt to be given to the customer and a service request is forwarded to the Operation and Maintenance Supervisor, if maintenance related, which will be dispatched to the maintenance crew. For other complaints, the service request is forwarded to the concerned personnel for appropriate action. The maintenance crew or concerned personnel signs the service request, indicating the time accomplished and/or action taken. The CWC then inputs the action taken and date and time of accomplishment. Monthly/quarterly consumers' complaints reports are printed for evaluation and also for submission to government agencies like ERC and NEA. For the cooperative, evaluation is made respecting the time spent in resolving a complaint, so that proper measures may be made to expedite such complaints.

4. Meter Reading, Billing, Collection and Disconnection Process

This process facilitates the reading of kWh meter of the individual consumer, the issuance of monthly statement of account, payment thru the tellers, and disconnection of customers with delinquent account. NONECO engages the software support of Billing and Telling System (BATS) Program for Read and Bill System and consumer payment. This program caters the synchronized reading and billing of kWh meter of customers, process daily collections together with the summary reports of consumer payments and the unread and unbilled consumers can also be monitored 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) of each Area Office and NONECO as a whole, as well as system loss report at the end of the billing process.

4.1 Meter Reading and Billing Process

This activity commences with the uploading of monthly rates to respective area offices by the Consumer Account Division. The Meter Reading and Billing Process has two (2) types: (1) Read and Bill System of low voltage consumers (Residential) rendered by the Area Office and the (2) Reading and Billing of High Voltage (Primary Metering) and Big Loads Consumers (Three Phase Secondary Metering) is undertaken by the Main Office.

- (1) Read and Bill System of low voltage consumers (Residential) rendered by Area Office

The cooperative is implementing a 10-day reading period. Monthly, meter readers of each Area Office are provided with mobile computers, wherein route and account number of consumers for reading are provided in reading the kWh consumption of consumers. The meter readers undertake reading and billing in the field wherein the bill is immediately given to the consumer. Data gathered in the field (kWh readings) will be uploaded by the Billing Analyst for evaluation. The Consumer Account Division then uploads the evaluated kWh readings at the Main Office to generate the sales/revenue summary report for the month as to kWh and amount billed, type of consumer, breakdown of charges (unbundled) of each Area Office and NONECO as a whole, as well as system loss report. The Collection Supervisor of every Area Office sees to it that the reading schedule is strictly being followed. All consumers are read and receive their respective bills.

- (2) Reading and Billing of High Voltage (Primary Metering) and Big Loads Consumers (Three Phase Secondary Metering) is undertaken by Main Office.

NONECO gives to its High Voltage and Big Loads consumers referred to as Industrial and Large Commercial for they consume large volume of kWh usage. The meter reading activity is rendered by the Technical Services Department, specifically under the Power Pilferage, Detection and Apprehension Division (PPDA) on a 7-day period in a month and manually billed in the Main Office under the Finance Services Department--Consumer Account Division. The Statement of Account is distributed to the concerned consumers by the Meter Reading and Billing Analyst (MRBA).

4.2 Collection Process

Each Area Office has its own tellers. There are no field collectors. A consumer has the option to pay directly to the office or to any designated Collection Center or paying stations like banks, on line payments, or any accredited establishment. For payments made thru Area Offices, the designated teller will issue an Official Receipt to the customer. At the end of the day, the teller prints the collection report and prepares the corresponding deposit slips. The Collection Supervisor checks the accuracy of the deposits cash/checks vis a vis deposit slips, then takes charge of depositing the same with the cooperative's depository banks. Daily pick up of deposits is being done by the depository banks per deposit-pick up agreement with the cooperative. The Area Manager monitors, checks and secures the collection and ensures that it is deposited intact and relays the same to the Main Office. Daily collection reports together with the bank validated deposit slips are forwarded weekly to the Finance Department for checking and final recording in the books of accounts.

For banks, paying stations, or any accredited establishment, a Memorandum of Agreement (MOA) is executed citing provisions such as mode of payment, deposits of collection, submission of reports, collection fee, etc. Accredited banks and paying stations issue acknowledgement receipts to the paying customer. Collections are then deposited to the cooperative's depository banks by collecting establishments. Daily collection reports are then sent via email for uploading by the cooperative's IT personnel to update customer ledger and reflect payments made. The Internal Audit checks the reports, then the FSD verifies the corresponding deposits made and issues official receipts. Collection reports as per issued ORs are printed and recorded in the Cash Receipt register (CRR).

4.3 Disconnection and Reconnection Process

Following the provisions of the Magna Carta and DSOAR on disconnection of consumers, the cooperative's disconnection process starts with generating a list of consumers for disconnection. These listings are checked by the Collection Supervisor and dispatched to the concerned meter readers. At the end of the day, the meter readers submit accomplishment reports for consumer status updating in the BATS. Reconnection of electric service to a disconnected consumer is made only after the consumer pays the reconnection fee and settles the unpaid electric bills wherein a service request will automatically be forwarded to the CWC for printing of the reconnection order. Upon reconnection, the date and time of accomplishment shall be posted in the BATS.

5. Requisition and Procurement Process

NONECO adopts the NEA procurement guidelines pursuant to R.A. 10531. No procurement shall be undertaken unless it is within the approved Work Plan, CAPEX, or Cash Operating Budget embodied in the e-ICPM. This process starts with the requisition to be made by the requesting department. It applies to both CAPEX and NON CAPEX expenditures. Upon the GM's approval of the request, the procurement officer prepares the requisition voucher and determines the amount involved. Purchases of goods or services amounting to Php 1 Million and above shall be subjected to public bidding, procedures and process of which will be handled by the Bids and Awards Committee (BAC). The BAC consists of four (4) members representing the OGM, TSD, ISD and FSD and appointed by the General Manager, a Chairman, Vice Chairman and Secretary. In order to enhance transparency, one from the Internal Audit Department 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 Quality Control Group is created. The BAC recommendation shall be forwarded to the General Manager for be presented for Board approval. The Notice of Award and Purchase Order is then prepared for GM's approval and sent to the most responsive bidder. Repeat Order from a winning bidder is allowed as long as the price is the same or lower than the original bid price and is valid only for a period of 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 Php1 Million but above Php300,000.00, 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 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.

6. 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 as to quality and quantity based on approved Purchase Order, receives the materials from the suppliers. The Internal Audit inspects the items/materials received by the warehouse. The warehouseman will 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. 1 copy is furnished to ISD for complete documentation then forwarded to FSD for

processing of payment 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 in the Material Receipt Register (MRR). Those items requiring technical inspection shall be tested and TSD shall issue a certification on testing that will be used as supporting document before complete payment is made. Items that failed the testing will be returned to the supplier for replacement. Issuance by the Warehouseman is based on the Request of Materials by the Department or Area Office approved by the General Manager. Material Charged 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 inventory first of the requesting Area Office. Every issuance will be done by the Operation and Maintenance Supervisor using MCTs duly approved by the Area Manager. All MCTs are pre-numbered and will serve as reference in recording into the system. From the system, the Work Order Officer records, generates and prints the Material Register (MR).

7. Disbursements Process

NONECO engages the support of Electric Cooperative Accounting System (ECAS) Program wherein, once the complete supporting documents are inputted, a Check Voucher is automatically generated and linkage to check preparation is already available. Hence, recording of disbursement into the Check Register (CR) can be readily generated. Payables with complete supporting documents will be paid thru checks. Petty expenses and emergency purchases of minimal amount on the other hand, will be paid using the cooperative's Petty Cash Fund (PCF). Replenishment of the PCF is to be done by the Petty Cash Custodian.

The Finance Services Department is responsible for the over-all preparation of check disbursements. After supporting documents have been verified and accounted for, a check voucher is prepared by a bookkeeper. Checking on the completeness and accuracy of the check voucher is done by the Accounting Supervisor, verified by the Internal Audit Department, recommended for approval by the Finance Services Department Manager and approved by the General Manager. All checks must be signed by the General Manager and countersigned either by the Board President, Board Treasurer or Board Secretary, depending on the amount. All checks and check vouchers prepared are summarized monthly in the Check Register (CR) and electronically generated. Check vouchers per se must however, be filed chronologically.

8. Preparation of Monthly Financial Statements

Monthly Financial Statements particularly the Monthly Financial & Statistical Report (MFSR) are prepared monthly. Recording in the books namely, the 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 Journal Voucher Register

(JVR), which involves the recording of entries that cannot be recorded in any other books, completes the books of NONECO. Duly approved journal vouchers are recorded by the Accounting Supervisor. All book balances are consolidated in the Working Trial Balance prepared by the Accounting 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

NONECO is purely engaged in distribution and related activities segments. These business segments are further classified into regulated and non-regulated business segments. Although NONECO is involved in the four (4) Business Segments which are Distribution Service Business, Distribution Connection Service Business, Regulated Retail Service Business and Related Business Segments, the subject BSUP includes the other three (3) business segments in the event that the cooperative will be engaged into such, using the same methodology on separation. Below are the descriptions of the different Business Segments:

REGULATED BUSINESS SEGMENTS:

1) Distribution Services (DS) Business Segment

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.
- 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).

8

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

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

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

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

2) Distribution Connection Services (DCS) Business Segment

This segment has the following distribution connection services:

- a. 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:
 - i. from the facilities of persons which are directly connected to the Distribution System
 - ii. from the Connection Point to the facilities of persons which are directly connected to the Distribution System;
- b. Planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and
- c. Provision of other services that support any of the above services.

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

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

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

Costs include all costs associated with the management, maintenance, and operation of the Distribution Connection

Assets in order to provide the distribution connection services and the depreciation of the Distribution Connection Assets.

3) Regulated Retail Services (RRS) Business Segment

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. 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.

NON - REGULATED BUSINESS SEGMENTS:

4) Non-Regulated Retail Services

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
- c. 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.

5) Related Businesses

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.

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.

6) 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.

7) Wholesale Aggregation (WA)

This segment comprises the Distribution Utility's service of purchasing electricity in bulk and selling this to other Distribution Utilities. It also comprises the provision of Wholesale Aggregation services provided by a distribution utility, namely services pertaining to the sale of electricity to other Distribution Utilities including billing, collection, and provision of basic customer service.

The *assets* included in this Business Segment are all the assets used directly, or a relevant share of the shared assets which are used, to provide the Wholesale Aggregation services.

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 or undertake the activities of this particular segment.

Revenues include all revenues associated with providing the Wholesale Aggregation services.

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.

Applicant'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

NONECO 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
- c. Chart of Accounts
- d. Basic Accounting Principles

SECTION IV. DESCRIPTION OF SEPARATION

NONECO 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.

NONECO'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), NONECO 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 the proposed BSUP is being submitted herewith and made integral part hereof as **Annex "A"**.

4. Further, NONECO 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, being submitted herewith together with the cooperative's 2015 Audited Financial Statements, attached hereto and made integral parts hereof as **Annexes "B" and "C"**, respectively.

5. Lastly, NONECO 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 of the cooperative, 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

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

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

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **30 April 2018 at two o'clock in the afternoon (2:00 P.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006

Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the Application may request from Applicant that it be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during the standard office hours.

(Intentionally left blank)

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC**, **ALFREDO J. NON** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 4th day of April 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS:SLAN/KTB/APV