

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
APPLICANT'S (1) BUSINESS  
SEPARATION AND  
UNBUNDLING PLAN (BSUP)  
AND (2) ACCOUNTING COST  
ALLOCATION MANUAL  
(ACAM) IN COMPLIANCE  
WITH REPUBLIC ACT NO.  
9136 AND ITS  
IMPLEMENTING RULES  
AND REGULATIONS**

**ERC CASE NO. 2021-020 MC**

**GREEN CORE  
GEOTHERMAL INC.  
("GCGI"),**

***Applicant.***

**X-----X**

**Promulgated:**  
June 29, 2021

**O R D E R**

On 2 June 2021, Green Core Geothermal Inc. (GCGI) filed an *Application* dated 12 May 2021 (*Application*), seeking the Commission's approval of its Business Separation and Unbundling Plan (BSUP) and Accounting and Cost Allocation Manual (ACAM).

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

1. Applicant is a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at One Corporate Centre, Julia Vargas Avenue corner Meralco Avenue, Ortigas Center, Pasig City 1605, where it may be served with summons and other legal processes.
2. GCGI is a wholly-owned subsidiary of EDC Geothermal Corporation ("EGC"), which is in turn wholly-owned by Energy Development Corporation ("EDC"). GCGI is in the business of power generation, owning and operating the 123-

MW Tongonan Geothermal Power Plant located in the Municipality of Kananga, Province of Leyte; and the 112.5-MW Palinpinon-1 Geothermal Power Plant and the 80-MW Palinpinon-2 Geothermal Power Plants located in the Municipality of Valencia, Province of Negros Oriental.

3. On 8 June 2020, the Honorable Commission issued to GCGI a Retail Electricity Supplier ("RES") License, with RES License No. 06-2020-0068RS authorizing the corporation to engage in the retail electricity supply business.
4. Section 36 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA", for brevity), and Rule 10 of the Implementing Rules and Regulations ("IRR") of the EPIRA, require Electric Power Industry Participants to structurally and functionally unbundle their business activities.
5. Accordingly, Rule 10, Section 3(b) of the IRR requires the submission of a Business Separation and Unbundling Plan ("BSUP") for approval by the Honorable Commission. Accordingly, the Honorable Commission issued Energy Regulatory Commission ("ERC") Resolution No. 49, Series of 2006 which promulgated the guidelines for business separation and structural and functional unbundling of the business activities of Electric Power Industry Participants, otherwise known as the ERC Business Separation Guidelines ("BSG"), as amended.
6. In compliance with the aforesaid provisions of the EPIRA and the IRR, as well as the ERC Business Separation Guidelines, as amended, Applicant proposes to adopt, and hereby applies for approval, of its BSUP, which is attached hereto as Annex "A", and its Accounting and Cost Allocation Manual ("ACAM"), which is attached hereto as Annex "B".
7. GCGI's proposed BSUP is composed of the following sections:
  - I. Introduction
  - II. Details of Current Structure
  - III. Details of Business Segments
  - IV. Description of Separation
  - V. Milestones and Highlights
  - VI. Programs for Code of Conduct
  - VII. Other Information

**Salient Features of the BSUP**

**Current Structure**

GCGI is a wholly-owned subsidiary of EGC which, in turn, is wholly-owned by EDC. The Company is registered with the Securities and Exchange Commission ("SEC") since 22 June 2009 with Company Registration No. CS200909441. Its

principal office is located at One Corporate Centre, Ortigas Center, Pasig City.

The Company is mainly in the business of generating electric power from geothermal energy resources. It is now also venturing into retail electricity supply after obtaining a RES License from the ERC on 8 June 2020.

#### Business Segments

#### **Generation Business Segment**

GCGI operates the 192.5-MW Palinpinon I and II and the 123-MW Tongonan Geothermal Power Plants on the strength of 25-year Geothermal Operating Contracts (“GOCs”) with the Department of Energy (“DOE”) and Provisional Authorities to Operate (“PAO”) from the ERC.

<b>Plant</b>	<b>Capacity</b>	<b>Location</b>	<b>DOE GOC No.</b>	<b>ERC PAO*</b>
Palinpinon I & Okoy-5 Geothermal Power Plants	132.5 MW	Brgys. Puhagan and Malaunay, Valencia, Negros Oriental	2012-04-037 Issued on 8 May 2012	Issued on 4 November 2020
Palinpinon II (Sogongon 1 & 2) Geothermal Power Plants	40.0 MW			
Tongonan Geothermal Power Plant (TGPP)	123.0 MW	Brgy. Lim-ao, Kananga, Leyte	2012-04038 Issued on 8 May 2012	Issued on 23 July 2020

*\* On 23 July 2020 and 4 November 2020, the ERC granted PAOs in favor of these generating facilities; Certificates of Compliance (“COCs”) will be issued pending GCGI’s submission of documents specified in the terms and conditions of the PAOs.*

#### **Supply Services Business Segment**

With the advent of the Retail Competition and Open Access (“RCOA”) which aims to empower customers in choosing their source of electricity, GCGI is participating in the retail electricity supply business to directly provide clean and renewable energy and offer innovative solutions beyond traditional power supply contracts to contestable customers. The Company secured its RES License (License No. 06-2020-0068RS) from the ERC on 8 June 2020.

#### Description of Separation

As of the filing of this application, GCGI remains a single entity and shall be unbundled mainly through the separation of power plant operations and retail electricity services business segments. Separation shall be undertaken through evaluation of functions, job descriptions, qualifications, workloads, and usage in the case of fixed assets. Operating

units shall be allocated to the appropriate business segment. However, for units with unattributable costs, allocation factors shall be utilized as prescribed in the ACAM.

Milestone and Highlights

GCGI shall prioritize the following activities within one (1) year from the approval of the BSUP:

<b>Activity</b>	<b>Time Frame</b>	<b>Highlights/Target Output</b>
Finalize RES business organization	6-12 months	Management approval of: <ul style="list-style-type: none"> <li>• Table of Organization</li> <li>• Staffing</li> </ul>
Set up accounting and business-to-business communications and transactions systems	6-12 months	Fully operational accounting and B2B systems
Register as a Direct WESM Member (RES Category)	3 months	Direct WESM Membership
Secure Distribution Wheeling Services Agreements with target distribution utilities	3-6 months	Negotiations for DWSAs with at least three (3) distribution utilities
Develop programs for Code of Conduct	1-3 months	<ul style="list-style-type: none"> <li>• Drafting of Corporate Compliance Policy and Internal Guidelines &amp; Procedures</li> <li>• Management approval</li> </ul>
Develop and execute Power Procurement and Marketing Plans	2-3 months	<ul style="list-style-type: none"> <li>• Retail Supply Contracts</li> <li>• Bilateral Contracts (for power to be sourced from non-affiliate GenCos)</li> </ul>

Programs for Code of Conduct

It is a business principle of GCGI to conduct its activities with the highest standard of ethical conduct and in compliance with all applicable laws and regulations, notably the Code of Conduct for Competitive Retail Market Participants and Competition Rules and Complaint Procedure as promulgated by the ERC.

The Company is cognizant of the objectives of the Code, particularly in: 1) protecting consumers and promoting consumer confidence in retail electricity through the establishment of standards of behavior for marketing electricity; and 2) promoting honesty, fairness, and transparency in the disclosure of information to customers. Toward these ends, GCGI shall undertake these initiatives within one (1) year from the approval of the Plan:

- a) Promulgate a Corporate Compliance Policy;
  - b) Develop internal guidelines and procedures to operationalize the provisions of Article II (Responsibilities and Conduct of Competitive Retail Market Participants) of the Code; and
  - c) Orient and capacitate GCGI officers and staff on the Corporate Compliance Policy and on the ensuing internal guidelines and processes.
8. GCGI's proposed ACAM compiles the guidelines, policies, and procedures of GCGI with the intent of ensuring uniformity and consistency in the implementation and/or preparation of such guidelines, policies and procedures for Accounting Separation Statements in accordance with the BSG.
9. The Manual includes the following:
- a) Allocation methodologies used to allocate expenses to and between Business Segments; and
  - b) Allocation methodologies used to allocate assets, liabilities and capital to and between Business Segments.
10. In support of the instant application, Applicant most respectfully submits to the Honorable Commission, the following documents:

<b>ANNEX</b>	<b>NATURE OF DOCUMENTS</b>
<b>A</b>	Business Separation and Unbundling Plan (BSUP)
<b>B</b>	Accounting and Cost Allocation Manual (ACAM)
	<b>OTHER DOCUMENTS</b>
<b>C</b>	SEC Certificate of Incorporation and Amended Articles of Incorporation
<b>D</b>	Latest General Information Sheet
<b>E</b>	2019 Audited Financial Statements
<b>F</b>	Retail Electricity Supplier's License (06-2020-0068RS)
<b>G</b>	RES Information Sheet (RES Form 2)
<b>H</b>	2020 Mayor's Permit - Pasig City
<b>I</b>	2020 Mayor's Permit - Municipality of Kananga, Leyte
<b>J</b>	2020 Mayor's Permit - Municipality of Valencia, Negros Oriental
<b>K</b>	GCGI-RES Technical and Organizational Requirements
<b>L</b>	GCGI-RES Five-Year Business Plan
<b>M</b>	Affidavit - Compliance with Articles II, III, IV of the ERC Business Separation Guidelines

<b>N</b>	Affidavit - Compliance with Article V of the ERC Business Separation Guidelines and Section 5, Article II of the Revised RES License Rules
<b>O</b>	Undertaking - Compliance with Code of Conduct for Competitive Retail Market Participants
<b>P</b>	Secretary's Certificate - Board Resolution No. 6, S. 2018
<b>Q</b>	Simulated Accounting Separation Statement
<b>Q-1</b>	Forecasted Accounting Separation Statement

**PRAYER**

WHEREFORE, Applicant respectfully prays that after due notice and hearing, GCGI's Business Separation and Unbundling Plan ("BSUP") and Accounting and Cost Allocation Manual ("ACAM") be approved accordingly.

Applicant likewise prays for such other and further relief as may be deemed just and equitable under the premises.

Finding the said *Application* to be sufficient in form with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>1</sup> dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)<sup>2</sup>:

<b>Date and Time</b>	<b>Platform</b>	<b>Activity</b>
<b>6 August 2021 (Friday)</b> at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and Expository presentation
<b>13 August 2021 (Friday)</b>	Microsoft Teams	Pre-trial Conference and Presentation of Evidence

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<sup>1</sup> Entitled: *A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.*

<sup>2</sup> *A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.*

at two o'clock in the afternoon (2:00 P.M.)		
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**RELATIVE THERETO**, GCGI is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, the date of publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected areas for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual 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 hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to the resolution of the prayer for confidential treatment of information, and reimbursement of reasonable photocopying costs.<sup>3</sup>

Within five (5) calendar days prior to the date of the virtual hearing, GCGI must submit to the Commission via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), the scanned copies of its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

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<sup>3</sup> For the e-mail address of the applicant, please see page 11.

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of the affidavit of the Editor or Business Manager of the newspaper where the said *Notice of Virtual 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 Virtual 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 GCGI to inform the consumers within the affected area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual 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, except those covered by any motion for confidential treatment of information, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, GCGI is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publication and certifications issued by the concerned Office of the Mayors, or Provincial Governor and Local Legislative Bodies, and to submit proof of its posting thereof.

GCGI and all interested parties are also required to submit via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days before the date of the scheduled virtual 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 therefor, which should also be attached to the Pre-Trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

GCGI must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of GCGI 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.

GCGI 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.

GCGI is further directed to file a copy of its Expository Presentation via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days prior to the scheduled virtual hearing. GCGI shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective

comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

GCGI is further directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

Finally, GCGI, including its authorized representative/s and witness/es, are hereby directed to provide the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

**SO ORDERED.**

Pasig City, 16 June 2021.

FOR AND BY AUTHORITY  
OF THE COMMISSION:




**AGNES VST DEVANADERA**  
*Chairperson and CEO*

**ERC**

Office of the Chairperson



\*AVSTD-2021-06-510-0065\*

  
LS: MBVM/MCCG

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**ORDER/ 16 June 2021**  
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12. Office of the Local Government Unit (LGU) Legislative Body  
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