

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.**

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DOCKETED
Date: DEC 17 2015
BY: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on May 5, 2015, the Province of Siquijor Electric Cooperative, Inc. (PROSIELCO) filed with the Commission 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, the following:

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 Lauren B. Malolot, also with office address located at barangay Nonoc, Larena, Siquijor 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:

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

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:

As of December 31, 2011	
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.

The Commission has set the application for initial 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, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**


All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (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 proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who wish to have a copy of the application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The 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.

WITNESS, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, **Energy Regulatory Commission**, this 14th day of December, 2015 at Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO