

Republic of the Philippines
ENERGY REGULATORY COMMISSION
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. 2025-001 MC

**ILIGAN LIGHT & POWER,
INC. (ILPI)**

Applicant.

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Promulgated:
March 31, 2025

ORDER

On 15 January 2025, Iligan Light & Power, Inc. (ILPI) filed an *Application* dated 23 December 2024, seeking the Commission’s approval of (1) Business Separation and Unbundling Plan (BSUP) and (2) Accounting and Cost Allocation Manual (ACAM), in compliance with the Republic Act No. 9136 and its implementing rules and regulations.

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

1. Applicant ILPI is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Bro. Jeffrey Road, Pala-o, Iligan City where it may be served with summons and other legal processes.
2. ILPI is the exclusive franchise holder issued by the Congress of the Philippines to operate electric light and power service in the City of Iligan in the Province of Lanao del Norte.
3. Section 36 of the Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (“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 its business activities.

4. Moreover, Rule 10, Section 3 of the IRRs 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.
5. As such, in compliance with the aforesaid provisions of the EPIRA and the IRRs, as well as the BSG, as amended, Applicant proposes to adopt, and hereby applies for approval, of its BSUP, which is attached hereto as **Annex “A”** and Accounting Cost Allocation Manual (“ACAM”), which is attached hereto as **Annex “C”**.
6. ILPI’s proposed BSUP is composed of the following sections:
 - I. Current Structure
 - II. Details of Business Segments
 - III. Accounting Separation
 - IV. Description of Separation
 - V. Milestones and Highlights
 - VI. Code of Conduct

Salient Features

I. Current Structure

ILIGAN LIGHT & POWER, INC. (“ILPI” or the “Company”), is registered with the Securities and Exchange Commission (“SEC”) under the Corporation Code, primarily engage in owning, operating, and maintaining a power distribution system within Iligan City. The Company was incorporated in the Philippines and was registered with the SEC on September 17, 1976. The Company’s SEC registration number is SEC Registration Number 69659. The Company’s registered office address is Bro. Jeffrey Road, Pala-o, Iligan City, Philippines.

II. Details of Business Segments

BUSINESS SEGMENTS

ILPI has six (6) business segments including Distribution Services, Distribution Connection Services, Regulated Retail Services, Non-regulated Retail Services, Last Resort Supply and Related Businesses.

Distribution Services (DS)

This includes the following:

- a. The conveyance of electricity through ILPI's Distribution System and the control and monitoring of electricity as it is conveyed through ILPI's Distribution System (including any services that support such conveyance, control or monitoring or the safe operation of the Distribution System);
- b. The provision of ancillary services (if any) that are provided using Distribution System assets; and
- c. The planning, maintenance, augmentation and operations of ILPI's Distribution System.
- d. The provision, installation, commissioning, testing, repair, maintenance and reading of WESM-related meters that are not also used to measure the delivery of electricity to end -users or other customers; and
- e. Billing, collection and the provision of customer services that are directly related to the delivery of electricity to end-users or that relate to the connection of such persons to a Distribution System (whether such services are provided to those end-users or to Suppliers of to any other person).

The assets included in this Business Segment are all the facilities and assets used to provide the distribution services referred to items a to e (including support plant and other plant and equipment used in connection with the conveyance of electricity through the Distribution System, safety, control and data transmission equipment use to control and monitor the conveyance of electricity through the Distribution System, and WESM-related distribution load and supply meters where these are not also used to measure the delivery of electricity to end-users or other customers). 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 activities referred to items a to e.

Revenues include all revenues derived from the provision of the distribution services referred to items a to e, as well as revenues derived from the sale of related facilities, plant or assets. Revenues include those used to reduce distribution wheeling charges under Section 26 of the EPIRA, which must be separately identified.

Costs include all costs associated with the management, maintenance and operation of the Distribution System facilities and other assets in order to provide the distribution

services referred to items a to e, and the depreciation of said assets.

Distribution Connection Services (DCS)

This includes the following:

- a. The provision of capability at each connection point to ILPI's Distribution System to deliver electricity from the connection point and the conveyance of electricity;
 - from the facilities of persons which are directly connected to the Distribution System to the connection point; or
 - from the connection point to the facilities of persons which are directly connected to the Distribution System.
- b. The planning, installation, maintenance, augmentation, testing and operation of Distribution Connection Assets; and
- c. The provision of other services that support any of the services under the segment.

The assets included in this Business Segment are all the facilities and assets used to provide the distribution connection services referred to in items a to c (including support plant, service drop plant and wires and equipment dedicated for the sole use or benefit of a person or persons who are directly connected to the Distribution System). 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 activities referred to in items a to c.

Revenues include all revenues associated with providing the distribution connection services referred to in items a to c, as well as revenues derived from the sale of related facilities, plant or 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 referred to in items a to c, and the depreciation of the Distribution Connection Assets.

Regulated Retail Services (RRS)

This includes sale of electricity to end-users who are included in the Captive Market of ILPI which consists of:

- a. Billing, collection and the provision of customer services to 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
- c. The sale of electricity to end-users who are included in the Captive Market of ILPI; and
- d. 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 Captive Market of ILPI.

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 regulated retail services referred to in items a to d. 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 activities referred to in items a to d.

Revenues include all revenues associated with providing the regulated retail services referred to in items a to d.

Costs include all costs associated with the provision of the regulated retail services referred to in items a to d, including the relevant share of the operating and maintenance costs and depreciation costs of the assets used to provide the service or undertake the activities referred to in items a to d.

Last Resort Supply (SOLR)

This includes the provision of SOLR services provided by ILPI, 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 used directly, or a relevant share of the shared assets which are used, to provide the SOLR 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 the services or undertake the activities for SOLR services.

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 for SOLR services.

Non-regulated Retail Services (NRRS)

This includes the sale of electricity to end-users in the Contestable Market and to other customers who are not end-users. This consists of:

- 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;
- c. The sale of electricity to end-users who are included on the Contestable Market of ILPI or to other customers who are not end-users; and
- d. 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 of ILPI or to other customers who are not end-users.

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 non-regulated retail services referred to in items a to d. 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 activities referred to in items a to d.

Revenues include all revenues associated with providing the non-regulated retail services referred to in items a to d.

Costs include all costs associated with the provision of the non-regulated retail services referred to in items a to d, 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 referred to in items a to d.

Related Business (RB)

This included all other services and activities that utilize the Company's distribution assets, facilities or staff which consist of:

- a. Electricity related services, such as the construction and maintenance of customer installations; and

- b. Non-electricity related services such as processing of billings and collection of penalties or surcharges from violation of contract.

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 services or undertake the activities referred to in items a and b. The liabilities included in the 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 activities referred to in items a and b.

Revenues include all revenues generated from the provision of the services or the undertaking of the activities referred in items a and b. Revenues exclude those used to reduce distribution wheeling charges under Section 26 of the EPIRA, which must be separately identified.

Costs include the relevant share of operating and maintenance costs and depreciation costs apportioned in accordance with the principles of revenue and cost allocation set out in Section 3.4 of the Amended Business Separation Guidelines (ERC Resolution No. 49, Series of 2006).

III. Accounting Separation

As required by Rule 10, Section 1 of the Implementing Rules and Regulations (“IRR”) of Republic Act No. 9136 or otherwise known as the “Electric Power Industry Reform Act of 2001” (“EPIRA”), ILPI has prepared an Accounting and Cost Allocation Manual (“ACAM”) to be adopted in the preparation of the Accounting Separation Statements (see *Annex B, ILPI Accounting and Cost Allocation Manual*).

ILPI has also prepared an express undertaking complying with the Code of Conduct promulgated by the ERC to regulate matters relating to end-users.

This express undertaking is in compliance with the following articles in the Business Separation Guidelines (“BSG”), as amended:

Article	Provision
II	<u>General Principles for Accounting Separation</u> The Accounting Separation Statements should be prepared in accordance with the ERC approved ACAM of the Company. This is notwithstanding its compliance with the general accepted accounting principles (Philippine Financial Reporting Standards or PFRS). The statements should be able to report all material items that will result in financial

	information that is relevant, reliable and that reflects the substance of the underlying transactions and events of the Company.
III	<u>Information Requirements for Accounting Separation</u> The Company should maintain separate accounts for each business segment or ensure that revenues, costs, assets and liabilities are separately identifiable in the books of the Company.
IV	<u>Business Segments</u> The Company's business segments should be separated as follows: Distribution Services, Distribution Connection Services, Regulated Retail Services, Last Resort Supply, Non-regulated Retail Services and Related Business.

Refer to Annex D for the Company's Express Undertaking on the Compliance with Articles II, III and IV of the BSG, as amended.

IV. Description of Separation

ILPI operates as a single juridical entity in the conduct of its business operations which are divided into the following business segments:

- i. Distribution Services
- ii. Distribution Connection Services
- iii. Regulated Retail Services
- iv. Non-regulated Retail Services
- v. Related Business

As a policy, ILPI identifies and records its business activities based on the foregoing business segments. Books of accounts are maintained to ensure that activities per business segments are separately recorded. If business activities cover multiple business segments, allocation methodologies and policies are adopted by the Company to ensure that assets, liabilities, revenues, and expenses from the business activities are reasonably allocated to specific business segments.

Further, ILPI has expressly undertaken its compliance with the provisions of Article V of the BSG, as amended, requiring the proper use of End-user information of a distribution utility.

Refer to Annex E for the Express Undertaking on the Compliance with Article V of the BSG, as amended.

V. Milestone and Highlights

ILPI commits to implement the principles and allocation methodologies as written in the ACAM. The Company is also committed to continuously improve its business processes to ensure proper monitoring or allocation of business activities per business segment. The Company will update its accounting system to ensure that the cost identification and allocation methodologies as described in the ACAM are properly implemented. This includes automating activity costing and profit center accounting.

VI. Code of Conduct

ILPI undertakes to comply with the Code of Conduct for Retail Market Participants in the Omnibus Rules for Customer Choice Programs in the Retail Market as promulgated by the ERC.

Refer to Annex F for the Express Undertaking on the Compliance with any Code of Conduct promulgated by this Honorable Commission

7. In support of the instant application, Applicant most respectfully submits to the Honorable Commission the following documents:

ANNEX	NATURE OF DOCUMENTS
A	Business Separation and Unbundling Plan (BSUP)
B	Current Processes
C	Accounting and Cost Allocation Manual (ACAM)
D	Express Undertaking on the Compliance with Articles II, III and IV of the BSG, as amended
E	Express Undertaking on the Compliance with Article V of the BSG, as amended
F	Express Undertaking on the Compliance with the Code of Conduct
	OTHER DOCUMENTS
G	Amended Articles of Incorporation and By-laws of ILPI
H	Latest General Information Sheet of ILPI
I	2022 Audited Financial Statements
J	Secretary’s Certificate – Board Resolution No. 23-02-15-09

PRAYER

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

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

Finding the said *Application* to be sufficient in form and with the required fees having been paid, the Commission hereby sets the same for hearing for determination of compliance with the jurisdictional requirements, expository presentation, and Pre-trial Conference **on 25 April 2025 (Friday) at two o'clock in the afternoon (2:00 P.M.)**, through **MS Teams Application** as the online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹ and Resolution No. 01, Series of 2021 (ERC Revised Rules of Practice and Procedure).²

RELATIVE THERETO, ILPI 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, at least ten (10) days before the date of the scheduled initial hearing; and
- 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 of the areas affected by the project for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected areas, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon;
- 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 and attend the scheduled hearings;
- 5) Furnish with copies of the *Application* and its attachments, except those subject of a motion for confidential treatment of information, all those making requests therefor, subject reimbursement of reasonable photocopying costs.

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of 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; and
- 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 ILPI 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, except those subject of a motion for confidential treatment of information, by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Moreover, ILPI 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 Offices of the Governor, Mayor, and Local Legislative Bodies, and to submit proof of posting thereof.

Applicant ILPI and all interested parties are also required to submit via e-mail at doCKET@erc.ph, and copy furnish the Legal Service through 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 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.

Applicant ILPI 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 virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of ILPI to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing.

Applicant ILPI 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*. Relevant information and pertinent details substantiating the reasons and justifications for the *Application* must be cited in support thereof.

Applicant ILPI is hereby directed to file a copy of its Expository Presentation via e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior to the scheduled virtual hearing. ILPI 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.


Applicant ILPI is further directed to submit, through personal service, registered mail, or ordinary mail/private courier, one (1) set of the original or certified true hard copies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavits of witnesses, **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.

Finally, Applicant ILPI, including its authorized representatives and witnesses, is hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, their 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, 31 March 2025.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ATTY. KRISHA MARIE T. BUELA
Director III, Legal Service


LS: CAB

COPY FURNISHED:

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