

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

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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.

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The Commission hereby sets the instant *Application* 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

Any interested stakeholder may submit its comments and/or clarifications **at least one (1) calendar day** prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, and copy furnish the Legal Service through 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.

Moreover, any person who has an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, and copy furnishing the Legal Service through legal@erc.ph, a verified Petition to Intervene **at least five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case, and state the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment **at least five (5) calendar days** prior to the initial virtual hearing. Rule 9 of the ERC Revised Rules of Practice and Procedure shall govern. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and

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.

3) The grounds relied upon.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **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.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA**, and Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 31st day of March 2025 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


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


LS: CAB