

REPUBLIC OF THE PHILIPPINES
ENERGY REGULATORY COMMISSION
JADE DRIVE, PASIG CITY

IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
IBAAN ELECTRIC CORPORATION'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,

2026-007 MC
ERC CASE NO. 2025 - __ MC
February 06, 2026

IBAAN ELECTRIC CORPORATION
(IEC),

Applicant.

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APPLICATION

Applicant **IBAAN ELECTRIC CORPORATION** ("IEC"), through the undersigned counsel, and unto this Honorable Commission, most respectfully states: That –

1. Applicant IEC is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Metro-Rei Business Park, Brgy. Palindan, Ibaan, Batangas where it may be served with summons and other legal processes.

2. IEC is the exclusive franchise holder issued by the Congress of the Philippines to operate electric light and power service in the Municipality of Ibaan, Batangas.

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.

SECTION 23. *Functions of Distribution Utilities.* – A distribution utility shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code...

x x x

Any entity engaged therein shall provide open and non-discriminatory access to its distribution system to all users.... To achieve economies of scale in utility operations, distribution utilities may, after due notice and public hearing, pursue structural and operational reforms such as but not limited to, joint actions between or among the distribution utilities, subject to the guidelines issued by the ERC. Such joint actions shall result in improved efficiencies, reliability of service, reduction of costs and compliance to the performance standards prescribed in the IRR of this Act...”

4. Moreover, Rule 10, Sections 1 and 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.

**RULE 10. STRUCTURAL AND FUNCTIONAL
UNBUNDLING
OF ELECTRIC POWER INDUSTRY PARTICIPANTS**

Section 1. Guiding Principle.

Consistent with the last paragraph of Section 36 of the Act, any Electric Power Industry Participant shall structurally and functionally unbundle its business activities in accordance with Section 5 of the Act, namely: generation, transmission, distribution and supply. Structural unbundling shall mean the separation of different activities through the creation of separate divisions or departments within a single company or, at the option of any Electric Power Industry Participant, a separation into different juridical entities, with a clear separation of accounts between regulated and non-regulated business activities. Functional unbundling shall mean the separation of functions into different components. For

this purpose, business activities resulting from the initial unbundling process may be further unbundled to widen the scope for competitive activities. The ERC shall formulate the appropriate guidelines and shall ensure full compliance with this provision.

x x x

Section 3. Procedures for the Structural and Functional Unbundling of Business Activities.

The following shall govern all Electric Power Industry Participants in undertaking the structural and functional unbundling of its business activities:

(a) An Electric Power Industry Participant shall identify its business activities according to each major business function as defined in Section 2 of this Rule.

(b) An Electric Power Industry Participant shall prepare and submit for approval by the ERC its Business Separation and Unbundling Plan (BSUP) on or before 31 December 2002.

(c) The BSUP shall contain among others, the following information:

- (i) A complete description of the separation of books and records, including but not limited to, sources of revenues, costs as allocated, asset transferred, and information systems separation;
- (ii) (ii) A comprehensive description of the functional, structural or juridical separation of generation, distribution and supply as provided for in the BSUP;
- (iii) Milestones and highlights of the planned structural and functional unbundling of the business activities in which the Electric Power Industry Participant is currently engaged: *Provided*, That in any case, no Electric Power Industry Participant that has not completed structural and functional unbundling of the business shall be eligible to participate in Retail Competition and Open Access; (iv) A plan for complying with all Code of Conduct provisions specified by ERC, including training or developmental programs for its employees to help ensure compliance; and

(iv) Other documents or information as may be required by the ERC.

(d) The ERC may adopt the Electric Power Industry Participant's BSUP, recommend modifications to the BSUP, or reject the BSUP for revision and direct the concerned Electric Power Industry Participant to file a new BSUP based on its comments. In any case, ERC shall render its decision within six (6) months from filing of the BSUP.

xxx”

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. IEC'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

IBAAN ELECTRIC CORPORATION (“IEC”) (formerly known as Ibaan Electric Light and Power Co., Inc.) was founded in 1947. It began its commitment to service by supplying power and electricity to a limited area of the Poblacion of Ibaan at the rate of Six (6) hours every night. It was granted a renewed franchise under Republic Act No. 10892 or (“An Act Renewing for Another Twenty-Five (25) Years the Franchise Granted to Ibaan Electric Corporation (Formerly Ibaan Electric and Engineering Corporation) to Construct, Operate, and Maintain an Electric Light, Heat, and Power System in the Municipality of Ibaan, Province of Batangas Under Republic Act No. 7578”. It is registered with the Securities and Exchange Commission (“SEC”) No. 0000002777 under the Corporation Code, primarily engage in owning, operating.

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

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

- 1) **Distribution Services (DS)**
- 2) **Distribution Connection Services (DCS)**
- 3) **Regulated Retail Services (RRS)**
- 4) **Last Resort Supply (SOLR)**
- 5) **Non-Regulated Retail Services (NRRS)**
- 6) **Related Business (RB)**

Details of the above mentioned business segments are discussed under "Annex A".

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"), IEC has prepared an Accounting and Cost Allocation Manual ("ACAM") to be adopted in the preparation of the Accounting Separation Statements (see *Annex B, IEC Accounting and Cost Allocation Manual*).

IEC 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	<p><u>General Principles for Accounting Separation</u></p> <p>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</p>

	<p>or PFRS).</p> <p>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.</p> <p>Attached Annex C Accounting Separation Statement based on 2023 Audited Financial Statement</p>
III	<p><u>Information Requirements for Accounting Separation</u></p> <p>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.</p>
IV	<p><u>Business Segments</u></p> <p>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.</p>

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**

IEC 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. Last Resort Supply (SOLR)
- vi. Related Business

As a policy, IEC 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, IEC 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**

IEC 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**

IEC undertakes to develop a plan to comply with the Code of Conduct for Competitive Retail Market Participants as promulgated by the ERC.

Refer to Annex F for the Express Undertaking on the Compliance with the Code of Conduct.

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) and Accounting Separation Statements (excel file)
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 IEC
H	Latest General Information Sheet of IEC
I	2022 and 2023 Audited Financial Statements and Certification
J	Secretary's Certificate – Board Resolution No. 23-02-15-09

PRAYER

WHEREFORE, Applicant respectfully prays that after due notice and hearing, IEC'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.

Pasig City, 08 October 2025.

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Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
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(1) BUSINESS SEPARATION
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**IBAAN ELECTRIC
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Promulgated:

February 20, 2026

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 06 February 2026, Ibaan Electric Corporation (IEC) filed its *Application* dated 08 October 2025, seeking the Commission's approval of its (1) Business Separation and Unbundling Plan (BSUP) and (2) Accounting Cost Allocation Manual (ACAM).

The docketed copy of the *Application*, excluding its annexes, is attached as Annex "A" of the *Notice of Virtual Hearing*.

The Commission has set the instant *Application* for hearing for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference and presentation of evidence on **09 March 2026 (Monday) at two o'clock in the afternoon (2:00 P.M.)**, through **MS Teams Application**, as the platform for the conduct thereof, pursuant to the pertinent rules of the Commission.

Any interested stakeholder may submit its comments and/or clarifications at least **one (1) calendar day** prior to the scheduled initial virtual hearing, via e-mail at doCKET@erc.ph, 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, all persons who have 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 to Intervene 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 thereon 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
- 3) The grounds relied upon.

ERC CASE NO. 2026-007 MC
NOTICE OF VIRTUAL HEARING
PAGE 3 OF 3

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.

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

WITNESS, the Honorable Chairperson and CEO **FRANCIS SATURNINO C. JUAN**, and the Honorable Commissioners **FLORESINDA G. BALDO-DIGAL**, **MARKO ROMEO L. FUENTES**, **AMANTE A. LIBERATO**, and **PARIS G. REAL**, Energy Regulatory Commission, in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:

Maria Corazon C. Gines

ATTY. MARIA CORAZON C. GINES*
Director III, Legal Service


LS:JVM/MVM

* Authority granted during Commission Meeting on 20 August 2025.