

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



**IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND APPROVAL OF CALCULATIONS OF OVER OR UNDERRECOVERIES IN THE IMPLEMENTATION OF AUTOMATIC COST ADJUSTMENTS AND TRUE-UP MECHANISMS COVERING THE PERIOD 2014 TO 2016, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009 AS AMENDED BY RESOLUTION NO. 21, SERIES OF 2010, AND ERC RESOLUTION 23, SERIES OF 2010,**

**ERC CASE NO. 2017-019 CF**

**QUEZON 1 ELECTRIC COOPERATIVE, INC. (QUEZELCO 1), Applicant.**

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DOCKETED  
Date: MAR 16 2018  
By: \_\_\_\_\_

**ORDER**

On 29 March 2017, Quezon 1 Electric Cooperative, Inc. (QUEZELCO 1) filed an *Application* seeking the Commission's confirmation and approval of its calculations of over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms covering the period 2014 to 2016.

QUEZELCO 1 alleged the following in its *Application*:

**THE APPLICANT**

1. QUEZELCO 1 is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Pootol, Pitogo, Quezon;

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2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in certain municipalities of the province of Quezon, namely: Agdangan, Alabat, Atimonan, Buenavista, Calauag, Catanauan, General Luna, Guinayangan, Gumaca, Lopez, Macalelon, Mulanay, Padre Burgos, Perez, Pitogo, Plaridel, Quezon, San Andres, San Francisco, San Narciso, Tagkawayan and Unisan and one (1) municipality in the Province of Camarines Sur, namely: Del Gallego.

**LEGAL BASES FOR THE APPLICATION**

3. ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010 establishes the procedure for the automatic recovery or refund of pass through costs and the confirmation process that would govern the automatic cost adjustment and true-up mechanisms approved by the Honorable Commission, with the objective of ensuring appropriate recovery of the pass through costs in an efficient manner and to put in place a fair and transparent process for the confirmation of the automatic cost adjustments implemented by Distribution Utilities and the true-up of other pass-through charges, involving Generation Rate, Transmission Rate, System Loss Rate, Lifeline Rate Recovery, Inter-Class Cross-Subsidy Removal, or Treatment of Prompt Payment Discount, as the case may be;
4. On the other hand, ERC Resolution 23, Series of 2010, adopts the rules implementing the discounts to qualified senior citizen end-users and subsidy from subsidizing end-users on electricity consumption;
5. Foregoing resolutions further require the distribution utilities to file their respective consolidated applications once every three (3) years. Hence, the filing of the instant application, covering the period of January 2014 to December 2016.

**OVER OR UNDER RECOVERIES OF  
ALLOWABLE COSTS**

6. Applying the formulas provided under Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and Resolution 23, Series of 2010, applicant made calculations of the over recoveries charged or under recoveries incurred as against its customers, in the implementation of certain automatic cost adjustments and true-up mechanisms, covering the period January 2014 to December 2016;
7. The results of its calculations are presented hereunder, as follows:

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	<b>Allowable Cost (PhP)</b>	<b>Actual Revenue (PhP)</b>	<b>(Over)/Under Recovery (PhP)</b>
Generation Rate (GR)	1,593,660,359.74	1,673,353,159.24	(79,692,799.50)
System Loss Rate (SLR)	350,258,141.93	361,943,200.03	(11,685,058.10)
Transmission Rate (TR)	613,926,991.09	544,649,986.06	69,277,005.03
	<b>Discount (PhP)</b>	<b>Subsidy (PhP)</b>	
Lifeline Rate (LR)	37,339,858.53	37,114,559.98	225,298.56
Senior Citizen Discount and Subsidy Rate	100,859.95	63,929.35	36,930.59
<b>Net Results</b>			<b>(21,838,623.43)</b>

**SUPPORTING DATA AND DOCUMENTS**

8. In support of the foregoing, applicant is submitting the following data and documents covering the period January 2014 to December 2016, attached hereto and made integral parts hereof as follows:

<b>FOLDER</b>	<b>ANNEX MARKINGS</b>	<b>NATURE OF DOCUMENT</b>
Folder 1	Annex A	Summary of over/under recoveries computation for the entire period per charges and yearly basis
	Annex B	Proposed scheme of refund/collect using the latest kWh sales
Folder 2	<b>SUPPLIER AND TRANSMISSION DATA</b>	
	Annex C	Fully accomplished Supplier and Transmission Data Sheet for the year
	Annex D	Power Bills from Suppliers (Power bill, proof of payment, Adjusted bill/Debit or Credit Memo)
Folder 3	<b>STATISTICAL DATA</b>	
	Annex E	Fully accomplished Statistical Data Sheet for the year
	Annex F	Summary of Pilferage Cost Recoveries/Manifestation if no PCR
	Annex G	Report of Implemented Other Adjustments
	Annex H	MFSR – Sections A, B and E
Folder 4	<b>ACTUAL IMPLEMENTED RATES DATA</b>	
	Annex I	Fully accomplished Actual implemented Rates Data Sheet for the Year
	Annex J	Fully accomplished Lifeline Discount Sheet for the Year

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	Annex K	Fully accomplished Senior Citizen Discount Sheet for the Year
	Annex L	Consumer bills per customer class (Non-Lifeline)
	Annex M	Consumer bills per lifeline bracket (Lifeline)
	Annex N	Senior Citizen consumer bills
Folder 5	<b>OTHER DOCUMENTS</b>	
	Annex O	Submitted URR for the year
	Annex P	Computation on how the computed pass-through charges were derived (if not implementing the URR-computed rates)

9. Additionally, applicant is submitting herewith in support of the instant application, the required electronic copies of the Application together with the foregoing data and documents;
10. Further, in compliance with the pre-filing requirements of the Honorable Commission, applicant is likewise submitting the following documents to form integral parts hereof, as follows:

<b>ANNEX MARKINGS</b>	<b>NATURE OF DOCUMENT</b>
Annexes Q and series	Proof of furnishing copies of the Application to the Sangguniang Bayan and Sangguniang Panlalawigan of the local government units where Applicant's main office is located.
Annexes R and series	Proof of publication of the Application in a newspaper in circulation in the Applicant's franchise area or where it principally operates

11. Considering the foregoing, it is respectfully prayed that applicant's calculations of over or under recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms be confirmed and approved, and the cooperative be allowed to refund the over recoveries or collect the under recoveries, as the case maybe, to or from its customers.

**PRAYER**

**WHEREFORE**, premises considered, it is respectfully prayed of this Honorable Commission, that after due notice and hearing, QUEZELCO I's calculations of over or under recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms covering the period January 2014 to December 2016, made pursuant to ERC Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and ERC Resolution 23,

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Series of 2011, be confirmed and approved, and the cooperative be allowed to refund the over recoveries or collect the under recoveries, as the case maybe, to or from its customers, summarized as follows, to wit:

	<b>Allowable Cost (PhP)</b>	<b>Actual Revenue (PhP)</b>	<b>(Over)/Under Recovery (PhP)</b>
Generation Rate (GR)	1,593,660,359.74	1,673,353,159.24	(79,692,799.50)
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<b>Net Results</b>			<b>(21,838,623.43)</b>

Other reliefs, just and equitable in the premises are likewise prayed for.

On 20 September 2017, the Commission issued an Order and a Notice of Public Hearing setting the *Application* for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on 16 October 2017.

However, on 5 October 2017, QUEZELCO 1 filed a *Motion to Reset Hearing* for its inability to comply with notice and publication requirements.

Finding the said Motion in order, the hearing on 16 October 2017 is cancelled.

Accordingly, the Commission hereby sets anew the instant *Application* for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on **11 April 2018 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

QUEZELCO 1 is hereby directed to:

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- 1) Cause the publication of the attached Notice of Public Hearing in one (1) newspaper of nationwide circulation in the Philippines at its own expense at least once (1x), 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 Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public 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 hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative

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bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by Applicant to inform of the filing of the Application, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (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, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial 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 therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant 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.

QUEZELCO 1 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, what the Application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 06 March 2018.

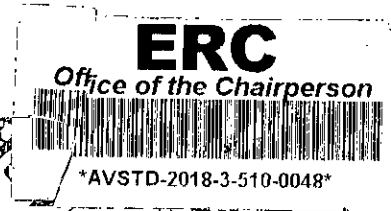
FOR AND BY AUTHORITY  
OF THE COMMISSION:

**AGNES VST DEVANADERA**  
Chairperson and CEO

LS:CRC/ISP/APV ord.2017-019 of quezelco 1

Copy Furnished:

1. DEHAVEZ & EVANGELISTA LAW OFFICES  
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Pearl Drive, ortigas Center, Pasig City 1605
2. Quezon I Electric Cooperative, Incorporated (QUEZELCO I)  
Barangay Pochtol, Pitogo, Quezon.
3. Office of the Solicitor General  
134 Amorsolo St., Legaspi Village, Makati City
4. Office of the Commission on Audit  
Don Mariano Marcos Avenue, Diliman, Quezon City
5. The Committee On Energy  
Senate of the Philippines  
GSIS Building, Roxas Blvd., Pasay City
6. The Committee On Energy  
House of Representatives  
Batasan Hills, Quezon City



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7. Office of the Municipal Mayor  
Agdangan, Quezon
8. Office of the Sangguniang Bayan  
Agdangan, Quezon
9. Office of the Municipal Mayor  
Alabat, Quezon
10. Office of the Sangguniang Bayan  
Alabat, Quezon
11. Office of the Municipal Mayor  
Atimonan, Quezon
12. Office of the Sangguniang Bayan  
Atimonan, Quezon
13. Office of the Municipal Mayor  
Buenavista, Quezon
14. Office of the Sangguniang Bayan  
Buenavista, Quezon
15. Office of the Municipal Mayor  
Calauag, Quezon
16. Office of the Sangguniang Bayan  
Calauag, Quezon
17. Office of the Municipal Mayor  
Catanauan, Quezon
18. Office of the Sangguniang Bayan  
Catanauan, Quezon
19. Office of the Municipal Mayor  
General Luna, Quezon
20. Office of the Sangguniang Bayan  
General Luna, Quezon
21. Office of the Municipal Mayor  
Guinyangan, Quezon
22. Office of the Sangguniang Bayan  
Guinayangan, Quezon
23. Office of the Municipal Mayor  
Gumaca, Quezon
24. Office of the Sangguniang Bayan  
Gumaca, Quezon
25. Office of the Municipal Mayor  
Lopez, Quezon
26. Office of the Sangguniang Bayan  
Lopez, Quezon
27. Office of the Municipal Mayor  
Macalelon, Quezon

28. Office of the Sangguniang Bayan  
Macalelon, Quezon
29. Office of the Municipal Mayor  
Mauban, Quezon
30. Office of the Sangguniang Bayan  
Mauban, Quezon
31. Office of the Municipal Mayor  
Mulanay, Quezon
32. Office of the Sangguniang Bayan  
Mulanay, Quezon
33. Office of the Municipal Mayor  
Padre Burgos, Quezon
34. Office of the Sangguniang Bayan  
Padre Burgos, Quezon
35. Office of the Municipal Mayor  
Pagbilao, Quezon
36. Office of the Sangguniang Bayan  
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37. Office of the Municipal Mayor  
Perez, Quezon
38. Office of the Sangguniang Bayan  
Perez, Quezon
39. Office of the Municipal Mayor  
Pitogo, Quezon
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Plaridel, Quezon
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Sampaloc, Quezon
46. Office of the Sangguniang Bayan  
Sampaloc, Quezon
47. Office of the Municipal Mayor  
San Andres, Quezon

48. Office of the Sangguniang Bayan  
San Andres, Quezon
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San Francisco, Quezon
50. Office of the Sangguniang Bayan  
San Francisco, Quezon
51. Office of the Municipal Mayor  
San Narciso, Quezon
52. Office of the Sangguniang Bayan  
San Narciso, Quezon
53. Office of the Municipal Mayor  
Tagkawayan, Quezon
54. Office of the Sangguniang Bayan  
Tagkawayan, Quezon
55. Office of the Municipal Mayor  
Unisan, Quezon
56. Office of the Sangguniang Bayan  
Unisan, Quezon
57. Office of the Municipal Mayor  
Del Gallego, Camarines Sur
58. Office of the Sangguniang Bayan  
Del Gallego, Camarines Sur
59. Office of the Governor  
Province of Quezon
60. Office of the Sangguniang Panlalawigan  
Province of Quezon
61. Office of the Governor  
Province of Camarines Sur
62. Office of the Sangguniang Panlalawigan  
Province of Camarines Sur
63. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, Sen. Gil Puyat Avenue, Makati City
64. Regulatory Operations Service  
17<sup>th</sup> Floor, Pacific Center Bldg.  
San Miguel Avenue, Pasig City

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*M. E.*