

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 UNDER RECOVERIES IN THE IMPLEMENTATION OF AUTOMATIC COST ADJUSTMENTS AND TRUE-UP MECHANISMS FOR THE PERIOD 2015 TO 2017, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009, AS AMENDED BY ERC RESOLUTION NO. 21, SERIES OF 2010 AND ERC RESOLUTION NO. 23, SERIES OF 2010

ERC CASE NO. 2018-002 CF

NEGROS ORIENTAL II ELECTRIC COOPERATIVE, INC. (NORECO II),
Applicant.

X-----X

D O C K E T E D
Date: APR 23 2018
By: [Signature]

ORDER

On 16 March 2018, an *Application* dated 6 March 2018 was filed by applicant Negros Oriental II Electric Cooperative, Inc. (NORECO II) seeking the Commission's confirmation and approval of calculations of (over) or under-recoveries in the implementation of Automatic Cost Adjustments and True-up Mechanisms for the period 2015 to 2017, pursuant to ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, Series of 2010 and ERC Resolution No. 23, Series of 2010.

NORECO II alleged the following in its *Application*:

[Handwritten mark]

THE APPLICANT

1. Applicant is an electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal office at Real St., Dumaguete City;

2. It holds an exclusive franchise from the National Electrification Commission to operate electric light and power distribution service in Cities of Bayawan, Tanjay and Dumaguete, and the municipalities of Amlan, Bacong, Basay, Dauin, Pamplona, San Jose, Siaton, Sibulan, Sta. Catalina, Valencia and Zamboanguita, all in the province of Negros Oriental.

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 and Lifeline Rate Recovery, 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 2015 to December 2017.

**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 2015 to December 2017;

7. The results of its calculations are presented hereunder, as follows:

2/6

ERC CASE NO. 2018-002 CF
ORDER/5 APRIL 2018
PAGE 3 OF 9

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	4,035,566,413.33	4,038,068,628.59	(2,502,215.25)
Transmission Rate (TR)	714,386,082.29	707,304,504.58	7,081,577.71
System Loss Rate (SLR)	721,364,396.10	728,393,327.08	(7,028,930.97)
	Discount (PhP)	Subsidy (PhP)	
Lifeline Rate (LR)	41,623,417.96	46,620,076.24	(4,996,658.28)
Senior Citizen Rate	488,377.45	485,959.71	2,417.74
Net Results			(7,443,809.06)

SUPPORTING DATA AND DOCUMENTS

8. In support of the foregoing, Applicant is submitting the following data and documents covering the period January 2015 to December 2017, attached hereto and made integral parts hereof as follows:

FOLDER	ANNEX MARKINGS	NATURE OF DOCUMENTS
Folder 1	Annex A	Summary of Over/Under Recoveries Computations for 2015 - 2017 (Per charge and yearly basis)
	Annex B	Proposed Scheme of Refund/Collect using the Latest kWh Sales
Folder 2	SUPPLIER AND TRANSMISSION DATA	
	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	STATISTICAL DATA	
	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 B and D
Folder 4	ACTUAL IMPLEMENTED RATES DATA	

ERC CASE NO. 2018-002 CF
ORDER/5 APRIL 2018
PAGE 4 OF 9

	Annex I	Fully accomplished Actual Implemented Rates Data Sheet for the year
	Annex J	Fully accomplished Lifeline Discount Sheet for the year
	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	OTHER DOCUMENTS	
	Annex O	Submitted URR for the year

9. Additionally, Applicant is likewise submitting herewith the required electronic copies of the Application with the supporting data and documents.

10. Further, in compliance with the pre-filing requirements for the instant application, Applicant is likewise submitting the following documents to form integral parts hereof, as follows:

ANNEX MARKINGS	NATURE OF DOCUMENT
Annexes P and series	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Dumaguete City and Sangguniang Panlalawigan of Negros Oriental
Annexes Q 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, NORECO II's calculations of over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms covering the period January 2015 to December 2017, made pursuant to ERC Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and ERC Resolution 23, Series of 2011,

468

ERC CASE NO. 2018-002 CF
ORDER/5 APRIL 2018
PAGE 5 OF 9

Resolution 21, Series of 2010 and ERC Resolution 23, 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:

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	4,035,566,413.33	4,038,068,628.59	(2,502,215.25)
Transmission Rate (TR)	714,386,082.29	707,304,504.58	7,081,577.71
System Loss Rate (SLR)	721,364,396.10	728,393,327.08	(7,028,930.97)
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Lifeline Rate (LR)	41,623,417.96	46,620,076.24	(4,996,658.28)
Senior Citizen Rate	488,377.45	485,959.71	2,417.74
Net Results	5,513,428,687.13	5,520,872,496.19	(7,443,809.06)

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

Finding the said *Application* to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **29 May 2018 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.**

Accordingly, NORECO II is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, the date of the publication to be made not later than ten (10) days before the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, 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;

5/1

- 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 affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 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 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 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

6/13

- 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 the 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.

NORECO II 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.

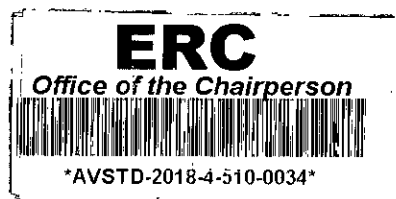
SO ORDERED.

Pasig City, 5 April 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


LS/SLAN/KFB/APV



286

ERC CASE NO. 2018-002 CF
ORDER/5 APRIL 2018
PAGE 8 OF 9

COPY FURNISHED:

1. Negros Oriental II Electric Cooperative, Inc. (NORECO II)
Applicant
Real Street, Dumaguete City, Negros Oriental
2. Atty. Ronald Ryan A. Sandigan
DECHAVEZ LERIOS-AMBOY AND EVANGELISTA LAW OFFICES
Counsel for Applicant NORECO II
Unit 2008, Tycoon Centre, Pearl Drive, Ortigas Center, Pasig City 1605
3. Office of the Mayor
City of Bayawan
4. Office of the LGU legislative body
City of Bayawan
5. Office of the Mayor
City of Tanjay
6. Office of the LGU legislative body
City of Tanjay
7. Office of the Mayor
City of Dumaguete
8. Office of the LGU legislative body
City of Dumaguete
9. Office of the Mayor
Amlan, Negros Oriental
10. Office of the LGU legislative body
Amlan, Negros Oriental
11. Office of the Mayor
Bacong, Negros Oriental
12. Office of the LGU legislative body
Bacong, Negros Oriental
13. Office of the Mayor
Basay, Negros Oriental
14. Office of the LGU legislative body
Basay, Negros Oriental
15. Office of the Mayor
Dauin, Negros Oriental
16. Office of the LGU legislative body
Dauin, Negros Oriental
17. Office of the Mayor
Pamplona, Negros Oriental
18. Office of the LGU legislative body
Pamplona, Negros Oriental
19. Office of the Mayor
San Jose, Negros Oriental
20. Office of the LGU legislative body
San Jose, Negros Oriental
21. Office of the Mayor
Siaton, Negros Oriental

8/2

ERC CASE NO. 2018-002 CF
ORDER/5 APRIL 2018
PAGE 9 OF 9

22. Office of the LGU legislative body
Siaton, Negros Oriental
23. Office of the Mayor
Bacong, Negros Oriental
24. Office of the LGU legislative body
Bacong, Negros Oriental
25. Office of the Mayor
Basay, Negros Oriental
26. Office of the LGU legislative body
Basay, Negros Oriental
27. Office of the Governor
Province of Negros Oriental
28. Office of the LGU legislative body
Province of Negros Oriental
29. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
30. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
31. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
32. House Committee on Energy
Batasan Hills, Quezon City
33. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP),
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
34. Regulatory Operations Service (ROS)
[Investigation and Enforcement Division (IED)]
17th Floor, Pacific Center Bldg., San Miguel Ave., Pasig City