

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



**IN THE MATTER OF THE  
APPLICATION TO CONFIRM  
THE AUTOMATIC COST  
ADJUSTMENTS  
IMPLEMENTED FOR THE  
YEARS 2015 - 2017, AND  
FOR AUTHORITY TO  
(REFUND)/RECOVER  
APPROVED (OVER)/UNDER  
RECOVERIES, WITH  
PRAYER FOR PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2018-009 CF**

**NORTHERN NEGROS  
ELECTRIC COOPERATIVE,  
INC. (NONECO),**

**Applicant.**

X ----- X

**DOCKETED**  
Date: JUN 18 2018  
By: \_\_\_\_\_

**ORDER**

On 22 March 2018, the Northern Negros Electric Cooperative Inc. (NONECO) filed an *Application* dated 14 March 2018, seeking confirmation on the automatic cost adjustments implemented for the years 2015 to 2017 and for authority to refund or recover approved over or under-recoveries, with a prayer for provisional authority.

NONECO alleged the following in its *Application*:

1. Applicant NONECO is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Barangay Tortosa, Manapla, Negros Occidental. It has an exclusive franchise to distribute electric service in the cities of Victorias, Cadiz, Sagay, Escalante, San Carlos and the municipality of E.B. Magalona, Manapla, Toboso and Calatrava, all in the province of Negros Occidental. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

2. Pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), Distribution Utilities (DUs), such as Applicant, are allowed to recover just and reasonable costs to enable them to operate viably. On 13 July 2009, the Energy Regulatory Commission (“ERC”) promulgated Resolution No. 16, Series of 2009 entitled “*A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities.*” In promulgating the said Rule, the Honorable Commission established a systematized confirmation process for the automatic cost adjustments implemented by the DUs and the true-up of pass through charges as approved by the ERC to ensure, among other things, appropriate recovery of adjustment and pass through costs in an efficient and transparent process.
  
3. Subsequent thereto, the Honorable Commission issued Resolution No. 21, Series of 2010 entitled “*A Resolution Amending Section 4 of Article 4 and Section 1 Article 5 of the Rules Governing the Automatic Cost Adjustment and True-Up Mechanism and Corresponding Confirmation Process for Distribution Utilities.*” The said Resolution amended, among other things, the formula in calculating for System Loss Rate Over/Under Recovery.
  
4. Applicant NONECO is now filing the instant Application for the confirmation of the automatic cost adjustments it has implemented for the period starting January 2015 until December of 2017. Moreover, Applicant likewise seek approval from the Honorable Commission of its (a) Generation Rate Over/Under Recovery (GOUR); (b) Transmission Rate Over/Under Recovery (TOUR); (c) System Loss Rate Over/Under Recovery (SLOUR); (d) Lifeline Subsidy Over/Under Recovery (LSOUR); and (e) Senior Citizen Over/Under Recovery (SCOUR), broken down as follows :

(OVER)/UNDER RECOVERIES IN PASS-THROUGH COSTS)  
 (January 2015 to December 2017)

| <b>(Over)/Under Recoveries</b> |                      |
|--------------------------------|----------------------|
| Generation Rate                | (18,862,574.27)      |
| Transmission Rate              | 16,030,151.12        |
| Systems Loss Rate              | 18,339,283.01        |
| Lifeline Subsidy Rate          | (2,900,362.73)       |
| Senior Citizen                 | (880,124.11)         |
| <b>Total</b>                   | <b>11,726,373.01</b> |

**Generation Rate Over/Under Recovery**

5. Generation charge over/under recoveries occur because of the lag in the pass on of generation costs to consumers. Basically, the rates used to compute for the generation recoveries in the current month were based on the generation cost incurred in previous month. Accordingly, when the generation cost of the current month is compared to the generation recoveries in the current month, which recoveries were computed on the basis of previous month's cost, an over- or under- recovery arises. Also, the differences in volumes (kWh) between the previous month (where the cost was incurred) and the current month (where the cost will be billed) contribute to the over/under-recovery.
6. In the instant Application, Applicant determined a generation rate over recovery in the total amount of PhP (18,862,574.27) for the period covering January 2015 to December 2017.

**Transmission Cost Over/Under Recoveries**

7. Over-/under- recovery in transmission charge occurs when there is difference between the actual transmission cost for the month and the allowed transmission recoveries in the same month. Basically, the transmission rates used to compute for the recoveries in the current month were based on the average transmission cost incurred in previous month. Accordingly, when the transmission cost of the current month is higher compared to the transmission recoveries in the current month, a transmission under-recovery arises. On the other hand, in cases when transmission recoveries are higher than transmission cost, there will be a resulting transmission over-recovery.
8. For the transmission cost, Applicant determined that it has an under recovery in the amount of PhP 16,030,151.12 for the period covering January 2015 to December 2017.

**System Loss Rate Over/Under Recovery**

9. Notably, despite the over-recovery in generation and under-recovery in transmission charges, there is a resulting over recovery in system loss. This was due to the variance in the actual system loss kWh for the years 2015, 2016 and 2017 and the system loss kWh used in monthly billings for these years, which is based on the latest twelve-month moving average system loss for each month.
10. With respect to the calculation of Systems Loss Over/Under Recovery (SLOUR), Applicant arrived at an under recovery in the amount of PhP 18,339,283.01 for the period covering January 2015 until December 2017.

**Lifeline Subsidy Over/Under Recovery**

11. In the implementation of Lifeline Discounts/Subsidy, Applicant incurred an over recovery in the amount of PhP (2,900,362.73) for the period January 2015 to December 2017. An over or under recovery usually arises when the lifeline discounts implemented (for lifeline consumers) for each billing month is higher or lower than the lifeline subsidy billed to non-lifeline consumers.

**Senior Citizen Over/Under Recovery**

12. Lastly, with respect to Senior Citizen Discounts, Applicant computed an over recovery in the amount of Php (880,124.11). The over recovery in the implementation of Senior Citizen Discount/Subsidy arises when the senior citizen discounts implemented is lower than the senior citizen subsidy billed.
13. In view of the foregoing, Applicant proposes to (refund)/recover the foregoing amounts in the following manner:

**NORTHERN NEGROS ELECTRIC COOPERATIVE, INC.**  
**(NONECO)**  
 Proposed Recovery Scheme

| Particulars    | Total (Over)/Under Recoveries (PhP) | Total Forecasted Kw/hr Sales (1 Year) | Total Rate (Php/kWh) | (Refund)/ Recovery period (In mos) |
|----------------|-------------------------------------|---------------------------------------|----------------------|------------------------------------|
| Generation     | (18,862,574.27)                     | 206,273,609                           | (0.0914)             | 12                                 |
| Transmission   | 16,030,151.12                       | 206,273,609                           | 0.0777               | 12                                 |
| System Loss    | 18,339,283.01                       | 206,273,609                           | 0.0889               | 12                                 |
| Lifeline       | (2,900,362.73)                      | 206,273,609                           | (0.0141)             | 12                                 |
| Senior Citizen | (880,124.11)                        | 206,273,609                           | (0.0043)             | 12                                 |
| <b>Total</b>   | <b>11,726,373.01</b>                | <b>206,273,609</b>                    | <b>0.0568</b>        | <b>12</b>                          |

14. In support of the instant Application and all computations contained, Applicant hereto attached the following annexes:

| <b>Documents</b>   | <b>Annexes</b> |
|--|----------------|
| Board Resolution No. 033, Series of 2018   | <b>A</b>       |
| Summary of (Over)/Under Recoveries (for Years 2015-2017)   | <b>B</b>       |
| Computation of Rate Translation  | <b>C</b>       |
| <b>For the Year 2015</b>   |                |
| Computation of (Over)/Under Recoveries for 2015  | <b>D</b>       |
| Supplier and Transmission Date Sheet for 2015  | <b>E</b>       |
| Statistical Data Sheet for 2015  | <b>F</b>       |
| Summary of Actual Implemented Rates for 2015   | <b>G</b>       |
| Lifeline Discount/Subsidy for 2015   | <b>H</b>       |
| Uniform Reportorial Requirement (URR) for 2015   | <b>I</b>       |
| Monthly Financial and Statistical Report for 2015  | <b>J</b>       |
| Computation of Generation and System's Loss Rate for 2015 (pursuant to AGRA Guidelines)                        | <b>K</b>       |
| Computation of Transmission Rate for 2015 (pursuant to TRAM Guidelines)  | <b>L</b>       |
| Computation of Lifeline Discount/Subsidy for 2015 (pursuant to LRA Guidelines)                                 | <b>M</b>       |
| Computation of Senior Citizen Discount/Subsidy for 2015  | <b>N</b>       |
| Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for the year 2015 | <b>O</b>       |
| Power Bills and Official Receipts (2015)   | <b>P</b>       |
| NGCP's Bills and Official Receipts (2015)  | <b>Q</b>       |
| Sample Bills of Lifeline Consumers (2015)  | <b>R</b>       |
| Sample Bills of Non-Lifeline Consumers (2015)  | <b>S</b>       |
| Sample Bills of Senior Citizen (2015)  | <b>T</b>       |

| For the Year 2016  |           |
|--|-----------|
| Computation of (Over)/Under Recoveries for 2016  | <b>U</b>  |
| Supplier and Transmission Date Sheet for 2016  | <b>V</b>  |
| Statistical Data Sheet for 2016  | <b>W</b>  |
| Summary of Actual Implemented Rates for 2016   | <b>X</b>  |
| Lifeline Discount/Subsidy for 2016   | <b>Y</b>  |
| Uniform Reportorial Requirement (URR) for 2016   | <b>Z</b>  |
| Monthly Financial and Statistical Report (2016)  | <b>AA</b> |
| Computation of Generation and System's Loss Rate for 2016 (pursuant to AGRA Guidelines)                        | <b>BB</b> |
| Computation of Transmission Rate for 2016 (pursuant to TRAM Guidelines)  | <b>CC</b> |
| Computation of Lifeline Discount/Subsidy for 2016 (pursuant to LRA Guidelines)                                 | <b>DD</b> |
| Computation of Senior Citizen Discount/Subsidy for 2016  | <b>EE</b> |
| Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for the year 2016 | <b>FF</b> |
| Power Bills and Official Receipts (2016)   | <b>GG</b> |
| NGCP Bills and Official Receipts (2016)  | <b>HH</b> |
| Sample Bills of Lifeline Consumers (2016)  | <b>II</b> |
| Sample Bills of Non-Lifeline Consumers (2016)  | <b>JJ</b> |
| Sample Bills of Senior Citizen (2016)  | <b>KK</b> |
| For the Year 2017  |           |
| Computation of (Over)/Under Recoveries for 2017  | <b>LL</b> |
| Supplier and Transmission Date Sheet for 2017  | <b>MM</b> |
| Statistical Data Sheet for 2017  | <b>NN</b> |
|  |           |

|  |            |
|--|------------|
| Summary of Actual Implemented Rates for 2017   | <b>OO</b>  |
| Lifeline Discount/Subsidy for 2017   | <b>PP</b>  |
| Uniform Reportorial Requirement (URR) for 2017   | <b>QQ</b>  |
| Monthly Financial and Statistical Report for 2017  | <b>RR</b>  |
| Computation of Generation and System's Loss Rate for 2017 (pursuant to AGRA Guidelines)                    | <b>SS</b>  |
| Computation of Transmission Rate for 2017 (pursuant to TRAM Guidelines)                                    | <b>TT</b>  |
| Computation of Lifeline Subsidy for 2017 (pursuant to LRA Guidelines)                                      | <b>UU</b>  |
| Computation of Senior Citizen Subsidy for 2017   | <b>VV</b>  |
| Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for year 2017 | <b>WW</b>  |
| Power Bills and Official Receipts (2017)   | <b>XX</b>  |
| NGCP Bills and Official Receipts ( (2017)  | <b>YY</b>  |
| Sample Bills of Lifeline Consumers (2017)  | <b>ZZ</b>  |
| Sample Bills of Non-Lifeline Consumers (2017)  | <b>AAA</b> |
| Sample Bills of Senior Citizen (2017)  | <b>BBB</b> |

15. Generation Costs, Transmission Costs, System Loss Costs, Lifeline Discounts and Senior Citizen Discounts are pass-through charges of DUs, like the Applicant. Hence, Applicant merely collects from its customers within its franchise area said costs and it neither earns any additional revenue nor should it incur losses from the imposition of the same. Given the foregoing, it is incumbent for NONECO to refund and/or recover whatever costs it incurred above and/or below the valid pass-through costs.
16. Thus, in order to maintain the revenue-neutral status of Applicant, it is urgent that a provisional authority be immediately issued pending hearing of the instant Application.

**PRAYER**

**WHEREFORE**, it is respectfully prayed to this Honorable Commission that, pending hearing of the instant Application, a Provisional Authority **BE ISSUED** authorizing Applicant to (refund)/collect the following amount and charge the corresponding rate per kilowatthour representing its (over)/under recoveries for the generation, transmission, system loss, lifeline subsidy and senior citizen discounts pass through costs:

| <b>Particulars</b>                      | <b>Total(Over)/<br/>Under<br/>Recoveries<br/>(Php)</b> | <b>Total Rate<br/>(Php/kWh)</b> | <b>(Refund)/<br/>Recovery<br/>Period (in<br/>mos)</b> |
|---|--|---------------------------------|---|
| Generation (Over)/Under<br>Recovery     | (18,862,574.27)  | (0.0914)                        | 12  |
| Transmission (Over)/Under<br>Recovery   | 16,030,151.12  | 0.0777                          | 12  |
| System Loss (Over)/Under<br>Recovery    | 18,339,283.01  | 0.0889                          | 12  |
| Lifeline (Over)/Under<br>Recovery       | (2,900,362.73)   | (0.0141)                        | 12  |
| Senior Citizen (Over)/Under<br>Recovery | (880,124.11)   | (0.0043)                        | 12  |
| <b>Total</b>                            | <b>11,726,373.01</b>                                   | <b>0.0568</b>                   | <b>12</b>   |

After trial and hearing, it is likewise prayed that a **DECISION** be rendered **PERMANENTLY APPROVING** the (refund)/recovery of the proposed amounts, the charge per kilowatthour and the period of recovery.

Other reliefs just and equitable under the premises are also prayed for.

Finding the said *Application* sufficient 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 **02 August 2018 (Thursday) ten o'clock in the morning (10:00 A.M.), at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, **NONECO** 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, with the date of publication 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 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 Governors, 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*, the 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.

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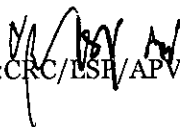
NONECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 08 June 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Commissioner*

  
LS:CRC/LSE/APV/ORD.2018-009 CF NONECO OU

Copy Furnished:

1. Atty. Irish Mae V. Rodriguez  
*Counsel for Applicant NONECO*  
NONECO Building, Crossing Tortosa, Brgy Tortosa, Manapla, Negros Occidental
2. Northern Negros Electric Cooperative, Inc. (NONECO)  
*Applicant*  
Barangay Tortosa, Manapla, Negros Occidental
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit  
Commonwealth Avenue, Quezon City
5. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City
6. House Committee on Energy  
Batasan Hills, Quezon City
7. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP), 1030 Campus Avenue corner  
Park Avenue, McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the Governor  
Province of Negros Occidental
9. Office of the LGU legislative body  
Province of Negros Occidental
10. Office of the Mayor  
Victorias City, Negros Occidental
11. Local Government Unit (LGU) legislative body  
Victorias City, Negros Occidental
12. Office of the Mayor  
Cadiz City, Negros Occidental
13. Office of the LGU legislative body  
Cadiz City, Negros Occidental
14. Office of the Mayor  
Sagay City, Negros Occidental
15. Office of the LGU legislative body  
Sagay City, Negros Occidental
16. Office of the Mayor  
Escalante City, Negros Occidental

17. Office of the LGU legislative body  
Escalante City, Negros Occidental
18. Office of the Mayor  
San Carlos City, Negros Occidental
19. Office of the LGU legislative body  
San Carlos City, Negros Occidental
20. Office of the Mayor  
E.B. Magalona, Negros Occidental
21. Office of the LGU legislative body  
E.B. Magalona, Negros Occidental
22. Office of the Mayor  
Manapla, Negros Occidental
23. Office of the LGU legislative body  
Manapla, Negros Occidental
24. Office of the Mayor  
Toboso, Negros Occidental
25. Office of the LGU legislative body  
Toboso, Negros Occidental
26. Office of the Mayor  
Calatrava, Negros Occidental
27. Office of the LGU legislative body  
Calatrava, Negros Occidental
28. Regulatory and Operations Service (ROS)  
Investigation and Enforcement Division (IED)  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Avenue  
Pasig City