

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 2016 TO 2018,
PURSUANT TO ERC
RESOLUTION NO. 16,
SERIES OF 2009, AS
AMENDED BY
RESOLUTION NO. 21,
SERIES OF 2010 AND ERC
RESOLUTION NO. 23,
SERIES OF 2010**

ERC CASE NO. 2019-010 CF

**SURIGAO DEL NORTE
ELECTRIC COOPERATIVE,
INC. (SURNECO),**

Applicant.

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Promulgated:
MAY 09 2019

ORDER

On 28 March 2019, Surigao del Norte Electric Cooperative, Inc. (SURNECO) filed an *Application* dated 18 March 2019, 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 2016 to 2018, pursuant to the Commission's Resolution No. 16, Series of 2009, as amended by Commission's Resolution Nos. 21 and 23, Series of 2010.

In the said *Application*, SURNECO alleged the following, among others:

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THE APPLICANT

1. SURNECO 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 Narciso corner Espina Streets, Surigao City;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the city of Surigao as well as certain municipalities in the province of Surigao del Norte, namely: Alegria, Bacuag, Claver, Gigaquit, Mainit, Malimono, Placer, San Francisco, Sison, Taganaan and Tubod.

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, 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 January 2016 to December 2018.

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 2016 to December 2018;
7. The results of its calculations are presented hereunder, as follows:

24

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)			
A. MAINLAND (ON – GRID)	2,449,373,156.79	2,406,930,188.30	42,442,968.49
B. HIKDOP (SPUG)	4,188,697.57	4,188,664.89	32.68
C. NONOC (SALE FOR RESALE)	8,442,456.66	8,447,698.12	(5,241.46)
Transmission Rate (TR)			
A. MAINLAND (ON – GRID)	384,970,856.96	398,381,464.95	(13,410,607.98)
System Loss Rate (SLR)			
A. MAINLAND (ON – GRID)	338,389,631.14	346,238,363.71	(7,848,732.57)
B. HIKDOP (SPUG)	648,386.06	664,852.68	(16,466.62)
C. NONOC (SALE FOR RESALE)	429,398.66	487,141.74	(57,743.08)
	Discount (PhP)	Subsidy (PhP)	
Lifeline Rate (LR)			
A. MAINLAND (ON – GRID)	23,286,457.17	9,524,896.57	13,761,560.61
B. HIKDOP (SPUG)	713,850.00	18,388.54	695,461.46
C. NONOC (SALE FOR RESALE)	963,263.63	35,077.28	928,186.36
Senior Citizen Discount and Subsidy			
A. MAINLAND (ON – GRID)	863,977.77	873,998.09	(10,020.33)
B. HIKDOP (SPUG)	1,745.80	1,620.73	125.07
C. NONOC (SALE FOR RESALE)	2,855.26	3,066.62	(211.36)
Net Results			
A. MAINLAND (ON – GRID)			34,935,168.22
B. HIKDOP (SPUG)			679,152.59
C. NONOC (SALE FOR RESALE)			864,990.46
		GRAND TOTAL	36,479,311.27

SUPPORTING DATA AND DOCUMENTS

8. In support of the foregoing calculations, Applicant is submitting the following data and documents covering the period January 2016 to December 2018, 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 2016 - 2018 (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

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	Annex F and series	Summary of Pilferage Cost Recoveries/ Manifestation of no Pilferage Cost Recoveries for year 2016
	Annex G	Report of Implemented Other Adjustments
	Annex H	MFSR – Sections A and E
Folder 4	ACTUAL IMPLEMENTED RATES DATA	
	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
	Annex P	Computation on how the computed pass-through charges were derived

9. Additionally, Applicant is likewise submitting herewith the required electronic copies of the Application and 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 Q and series	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Surigao City and Sangguniang Panlalawigan of Surigao del Norte
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, SURNECO's calculations of over or under recoveries in the implementation of certain automatic cost adjustments and true-up mechanisms covering the period January 2016 to December 2018, made pursuant to ERC Resolution 16, Series of 2009 as amended by 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:

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ERC CASE NO. 2019-010 CF
ORDER/06 MAY 2019
PAGE 5 OF 10 ✓

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)			
A. MAINLAND (ON - GRID)	2,449,373,156.79	2,406,930,188.30	42,442,968.49
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		GRAND TOTAL	36,479,311.27

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 **30 May 2019 (Thursday) 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.**

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Accordingly, SURNECO 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, 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 the consumers within the affected areas, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 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 hearings; 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, SURNECO 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 Editors or Business Managers 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
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bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by SURNECO to inform the consumers affected of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached Notice of Public Hearing by the OSG, 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.

SURNECO 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 SURNECO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

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SURNECO 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, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

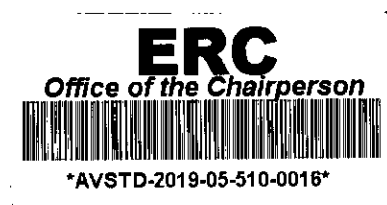
SO ORDERED.

Pasig City, 06 May 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO

LS: JTB/LSF/GLO



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ERC CASE NO. 2019-010 CF
ORDER/06 MAY 2019
PAGE 9 OF 10 ✓

Copy Furnished:

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4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City 1300
6. House of Representatives Committee on Energy
Batasan Hills, Quezon City 1126
7. 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
8. Office of the Provincial Governor
Province of Surigao del Norte
9. Office of the LGU Legislative Body
Province of Surigao del Norte
10. Office of the City Mayor
Surigao City, Surigao del Norte
11. Office of the LGU Legislative Body
Surigao City, Surigao del Norte
12. Office of the Municipal Mayor
Alegria, Surigao del Norte
13. Office of the LGU Legislative Body
Alegria, Surigao del Norte
14. Office of the Municipal Mayor
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Claver, Surigao del Norte
18. Office of the Municipal Mayor
Gigaquit, Surigao del Norte
19. Office of the LGU Legislative Body
Gigaquit, Surigao del Norte

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20. Office of the Municipal Mayor
Mainit, Surigao del Norte
21. Office of the LGU Legislative Body
Mainit, Surigao del Norte
22. Office of the Municipal Mayor
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30. Office of the Municipal Mayor
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33. Office of the LGU Legislative Body
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34. Regulatory Operations Service (ROS)
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44