

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 23, SERIES
OF 2010**

ERC CASE NO. 2019-021 CF

**MISAMIS ORIENTAL II
ELECTRIC COOPERATIVE,
INC. (MORESCO II),
Applicant.
X-----X**

Promulgated:
MAY 30 2019

ORDER

On 01 April 2019, Misamis Oriental II Electric Cooperative, Inc. (MORESCO II) filed an *Application* dated 28 March 2019, seeking the Commission's confirmation and approval on 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 Commission's Resolution No. 16, Series of 2009 as amended by Commission's Resolution No. 21, Series of 2010, and Commission's Resolution 23, Series of 2010.

In the said *Application*, MORESCO II alleged the following, among others:

THE APPLICANT

1. MORESCO II 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 North Poblacion, Medina, Misamis Oriental;

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 Gingoog and the municipalities of Balingasag, Balingoan, Binuangan Claveria, Kinoguitan, Jasa-an, Lagonglong, Magsaysay, Medina, Salay, Sugbongcogon and Talisayan, all in the province of Misamis 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, 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;

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

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	2,204,667,297.61	2,199,911,324.47	4,755,973.14
Transmission Rate (TR)	332,929,897.70	286,862,869.69	46,067,028.01
System Loss Rate(SLR)	348,545,575.44	322,945,131.15	25,600,444.29
	Discount (PhP)	Subsidy (PhP)	
Lifeline Rate (LR)	26,126,564.34	18,958,924.52	7,167,639.82
Senior Citizen Discount and Subsidy	490,747.91	480,246.69	10,501.22
	Net Results		83,601,586.47

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
	Annex F and series	Summary of Pilferage Cost Recoveries and Manifestation of no PCR for January 2016, December 2016, April 2017 to July 2017, September 2017 to December 2017, January 2018 and May 2018 to December 2018
	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

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FOLDER	ANNEX MARKINGS	NATURE OF DOCUMENTS
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 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 P and series	Proof of furnishing copies of the Application to the Sangguniang Bayan of Medina and the Sangguniang Panlalawigan of Misamis 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, MORESCO II '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:

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	2,204,667,297.61	2,199,911,324.47	4,755,973.14
Transmission Rate (TR)	332,929,897.70	286,862,869.69	46,067,028.01
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Senior Citizen Discount and Subsidy	490,747.91	480,246.69	10,501.22
Net Results	2,912,760,085.99	2,829,158,496.52	83,601,586.47

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 **26 June 2019 (Wednesday) at two o'clock in the afternoon (02:00 P.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, MORESCO 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, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the MORESCO II franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the MORESCO II franchise 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, MORESCO II 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 bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by MORESCO II 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.

MORESCO II 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 MORESCO II 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.

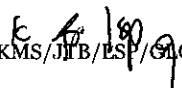
MORESCO II must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 28 May 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner 

LS: KMS/JTB/ESP/GLO


Copy Furnished:

1. DECHAVEZ LERIOS-AMBOY AND EVANGELISTA LAW OFFICES
Atty. MAUD EISEL H. ANGEL- MALANG
Counsel for MORESCO II
Unit 2008, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. MISAMIS ORIENTAL II ELECTRIC COOPERATIVE, INC. (MORESCO II)
North Poblacion, Medina, Misamis Oriental
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, City of Makati 1229
4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City 1121

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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 Misamis Oriental
9. Office of the LGU Legislative Body
Province Misamis Oriental
10. Office of the City Mayor
Gingoog, Misamis Oriental
11. Office of the LGU Legislative Body
Gingoog, Misamis Oriental
12. Office of the Municipal Mayor
Balingasag, Misamis Oriental
13. Office of the LGU Legislative Body
Balingasag, Misamis Oriental
14. Office of the Municipal Mayor
Balingoan, Misamis Oriental
15. Office of the LGU Legislative Body
Balingoan, Misamis Oriental
16. Office of the Municipal Mayor
Binuangan Claveria, Misamis Oriental
17. Office of the LGU Legislative Body
Binuangan Claveria, Misamis Oriental
18. Office of the Municipal Mayor
Kinoguitan, Misamis Oriental
19. Office of the LGU Legislative Body
Kinoguitan, Misamis Oriental
20. Office of the Municipal Mayor
Jasa-an, Misamis Oriental
21. Office of the LGU Legislative Body
Jasa-an, Misamis Oriental
22. Office of the Municipal Mayor
Lagonglong, Misamis Oriental
23. Office of the LGU Legislative Body
Lagonglong, Misamis Oriental
24. Office of the Municipal Mayor
Magsaysay, Misamis Oriental
25. Office of the LGU Legislative Body
Magsaysay, Misamis Oriental

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26. Office of the Municipal Mayor
Medina, Misamis Oriental
27. Office of the LGU Legislative Body
Medina, Misamis Oriental
28. Office of the Municipal Mayor
Salay, Misamis Oriental
29. Office of the LGU Legislative Body
Salay, Misamis Oriental
30. Office of the Municipal Mayor
Sugbongcogon, Misamis Oriental
31. Office of the LGU Legislative Body
Sugbongcogon, Misamis Oriental
32. Office of the Municipal Mayor
Talisayan, Misamis Oriental
33. Office of the LGU Legislative Body
Talisayan, Misamis Oriental
34. Regulatory Operations Service (ROS)
17th Flr., Energy Regulatory Commission,
Pacific Center Bldg., San Miguel Ave.,
Ortigas Center, Pasig City