

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

IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF A
REDUCTION IN RATES IN
COMPLIANCE WITH SECTION 60 OF
REPUBLIC ACT NO. 9136 AND
EXECUTIVE ORDER NO. 119, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2003-63

MISAMIS OCCIDENTAL II ELECTRIC
COOPERATIVE, INC. (MOELCI II),
Applicant.

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O R D E R

Before this Commission for resolution is the application filed on February 13, 2003 by applicant Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) for approval of a reduction in rates in compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119, with prayer for provisional authority.

In the said application, MOELCI II prayed that the rate reduction equivalent to ₱0.2114/kWh be provisionally and immediately approved ex-parte; that it be authorized to adopt and implement it effective upon provisional approval; and that after notice and hearing, the rate reduction be approved permanently.

In support of its application and prayer for provisional authority, MOELCI II submitted the following documents in compliance with the requirements indicated in

the Guidelines for the Implementation of the Reduction in Rate of the Electric Cooperatives Due to the Condonation of Debts, as amended, to wit:

1. Certification from the National Electrification Administration (NEA) indicating the amount of ₱128,512,120.34 as MOELCI II's outstanding loan to NEA as of June 26, 2001 and that said amount has been a) recommended for assumption by the Power Sector Assets and Liabilities Management (PSALM); and b) has been used for Rural Electrification Program;
2. An Omnibus Certification from the Commission on Audit (COA) certifying that its office has verified the loan balances as of June 26, 2001 of one hundred eighteen (118) electric cooperatives, including that of MOELCI II, and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by MOELCI II's General Manager, Mr. Reynaldo L. Rada, confirming that the amount of ₱128,512,120.34 is due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that it is current in the payment of its obligations;
5. Detailed information or report on outstanding loans applied for condonation as follows:
 - a. Amortization payments on the Rural Electrification Loans; and
 - b. Monthly kilowatthour sales covering the period July 1, 2001 to June 30, 2002.

MOELCI II submitted other supporting data/documents in accordance with the aforesaid Guidelines, such as: a) the certifications of receipt of copies of the notice of application by the Local Government Units' (LGUs) Legislative Bodies of the Municipalities and Cities within MOELCI II's area of coverage; and b) the affidavit of publication executed by Mr. Ernesto G. Chu, Publisher/President of Mindanao Gold Star Daily, attesting to the publication of the Notice of Application.

I. SUMMARY OF MOELCI II's APPLICATION

MOELCI II's proposed rate reduction was computed as follows¹:

Annual Amortization of Condoned Loans	₱ 14,569,020.00
Divide by Total Average kWh Sales (for the twelve months Ending June 2002)	68,910,235 <u>kWh</u>
Rate Reduction	₱ 0.2114 kWh

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1 Loan Profile

Mr. Reynaldo L. Rada, MOELCI II's General Manager, issued a Sworn Statement/Affirmation confirming that MOELCI II's total loans to be condoned out of the loans with NEA is in the amount of ₱128,512,120.34.

The NEA Loan Profile submitted by MOELCI II provides the information on the amortization payments on its Rural Electrification Loans as of June 26, 2001.

¹ Based on Annex "B" – Rate Calculation submitted by MOELCI II.

II.A.2. Monthly kilo-Watthour (kWh) sales covering the period July 1, 2001 to June 30, 2002.

The table below shows the summary of energy sales of MOELCI II for the twelve (12) month ending June 30, 2002:

Customer Class	Total Sales (kWh)²
Residential	30,395,784
Commercial	17,359,792
Industrial	11,840,824
Public Building	4,235,725
Street Lights	642,210
Large Load	4,435,900
Total	68,910,235

The data on energy sales were verified because this will serve as the billing determinant³ to be used in the calculation of the rate reduction. This was done by comparing the said data with that of the monthly kWh sales reported by MOELCI II in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by MOELCI II as the billing determinant, were correct vis-à-vis its submitted MFSRs.

II.B. Calculation of the Rate Reduction for Purposes of Granting Provisional Authority

The rate reduction was computed as follows:

Annual Amortization based on the amortization cost incorporated In MOELCI II last approved rate	₱ 14,569,020.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>68,910,235 kWh</u>
Rate Reduction	₱ 0.2114/kWh

² Based on Annex "A" Schedule B of MOELCI II's application.

³ Billing Determinants are the units divided into a class of costs to calculate a rate element.

Section 2, Rule 31 of the Implementing Rules and Regulations (IRR) of R. A. No. 9136 specifically provides that:

“This Rule shall cover all outstanding financial obligations by the ECs to NEA and other government agencies, incurred as of 26 June 2001 for the purpose of financing the Rural Electrification Program. x x x”
(underscoring supplied).

DISPOSITION

WHEREFORE, the foregoing premises considered, Misamis Occidental II Electric Cooperative, Inc. (MOELCI II) is hereby granted a provisional authority to reduce its rates by ₱0.2114/kWh effective on the next billing cycle after receipt of this Order. Should the rate reduction provisionally authorized herein is found to be insufficient after final evaluation, the amount corresponding to the deficiency shall be reimbursed by MOELCI II to its consumers by crediting the same in their electric bills covering future consumptions for a period of not more than six (6) months from the implementation of the Decision.

Relative thereto, MOELCI II is hereby directed to comply with the following conditions:

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- a) Reflect the approved reduction in rates as a separate item in the consumers' electric bills;
- b) Inform its consumers of the said approved rate reduction not later than thirty (30) days after receipt of this Order;
- c) Submit five (5) sample bills for each customer class for verification and confirmation purposes on or before the twentieth (20th) day of the month following the effectivity of the approved rate reduction and every month thereafter; and
- d) Continue its payment to NEA with respect to all outstanding obligations assumed by PSALM, if the amortization cost component of the EC's tariff is still collected from the end-users;

Finally, MOELCI II is directed to submit the following documents/data on or before the scheduled initial hearing:

- a. Certification from PSALM provisionally acknowledging the amount of loans applied for condonation subject to the final results of an audit to be performed by an independent body commissioned for such purpose;
- b. Detailed information or report on outstanding loans applied for condonation, to wit:
 - i. List of outstanding loans obtained from creditors under Article II, Section 1 of the Amended Guidelines;

- ii. Purpose for each loan;
- iii. Date of approval of each loan;
- iv. Total Releases from each loan granted and date of such releases;
- v. Principal and interest payments made for each loan;
- vi. Outstanding balance for each loan;
- vii. Data pertaining to its last approved rate adjustment whether provisional or final;
- viii. Proceeds from Benefits to Host Communities in the form of grants or technical assistance pursuant to Chapter II, Sections 289 to 294 of the Local Government Code, if applicable;
- ix. Statement on debt restructuring of any loan, if any;
- x. Revenues generated from amortization portion of approved rates channelled to payments of purchased power cost, if applicable; and
- xi. Other documents that may be needed by the ERC in the course of the evaluation.

MOELCI II is reminded to furnish the legislative body of the Local Government Unit of the locality where it principally operates with a copy of its accomplished application form.

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In the meantime, finding the application sufficient in form and in substance, with the required fees having been paid, the same is hereby set for hearing on May 29, 2003 at ten thirty (10:30 A.M.) in the morning at the NEA Regional Office, 128 Saturnina M. Ramos Street, APOVEL, Bulua, Cagayan de Oro City.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal/City Mayors of Bonifacio, Clarin, Jimenez, Ozamis City, Panaoan, Sinacaban, Tangub City and Tudela, all in the Province of Misamis Occidental, for the appropriate posting thereof on their respective bulletin boards.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), the NEA, the PSALM and the Committees on Energy of both Houses of Congress who are hereby requested to have their respective duly authorized representatives present at the aforesaid initial hearing.

MOELCI II is hereby directed to publish, at its own expense, the attached Notice of Public Hearing at least twice (2) for two (2) successive weeks in two (2) newspapers of nationwide circulation in the country, the last date of publication to be made not later than two (2) weeks before the scheduled date of initial hearing.

The evidence on the posting and publication of the Notice of Public Hearing consisting of the certifications of the abovementioned Mayors or their duly authorized

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representatives, bearing the seals of their offices and the affidavits of the Editors or Business Managers of the newspapers wherein the said Notice of Public Hearing would be published, together with the complete copies of the issues of the said newspapers, should be submitted to the Commission by MOELCI II on the date of the initial hearing.

SO ORDERED.

Pasig City, April 1, 2003.

(Sgd) LETICIA V. IBAY

Acting Chairman

(ON OFFICIAL BUSINESS)

(Sgd) MARY ANNE B. COLAYCO

Commissioner

OLIVER B. BUTALID

Commissioner

(Sgd) CARLOS R. ALINDADA

Commissioner

/CCC

Copy furnished:

1. Atty. Zenon S. Suarez
Counsel for Applicant
4/F Casman Building
1198 Quezon Avenue, Quezon City 1100
2. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
City of Makati 1229
3. Commission on Audit
Commonwealth Avenue
Quezon City 0880

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4. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City 1307
5. House Committee on Energy
Batasan Hills, Quezon City 1126
6. The City Mayor
Ozamis City 7200
7. The City Mayor
Tangub City 7214
8. The Municipal Mayor
Bonifacio, Misamis Occidental 7215
9. The Municipal Mayor
Clarin, Misamis Occidental 7201
10. The Municipal Mayor
Jimenez, Misamis Occidental 7204
11. The Municipal Mayor
Panaoan, Misamis Occidental 7205
12. The Municipal Mayor
Sinacaban, Misamis Occidental 7203
13. The Municipal Mayor
Tudela, Misamis Occidental 7202
14. Misamis Occidental II Electric Cooperative, Inc.
Tudela, Misamis Occidental 7202
15. National Electrification Administration
NIA Road, Diliman, Quezon City 1128
16. Congressman Ernesto C. Pablo
House of Representatives
Batasan Hills, Diliman, Quezon City 1126