

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. 2003-55

QUEZON I ELECTRIC COOPERATIVE,  
INC. (QUEZELCO I),

Applicant.

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**O R D E R**

Before this Commission for resolution is the application filed on February 10, 2003 by applicant Quezon I Electric Cooperative, Inc. (QUEZELCO I) for approval of a reduction in rates and loan condonation in compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119, with prayer for provisional authority.

In the said application, QUEZELCO I prayed that the rate reduction equivalent to ₱ 0.1608/kWh be provisionally and immediately approved ex-parte; that it be authorized to adopt and implement the same 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, QUEZELCO I submitted the following documents in compliance with the

requirements set forth 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 P100,130,922.68 as QUEZELCO I'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 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 QUEZELCO I and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by QUEZELCO I's General Manager, Atty. Amando A. Fabio, Jr., confirming that the amount of ₱ 100,130,922.68 are due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that QUEZELCO I 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.

QUEZELCO I 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 QUEZELCO I's area of coverage; and c) the affidavit of publication executed by Mr. Rogelio E. Pagkatipunan, Publisher of Banahaw Tribune attesting to the publication of the Notice of Application.

## I. SUMMARY OF QUEZELCO I's APPLICATION

QUEZELCO I's proposed rate reduction was computed as follows<sup>1</sup>:

Annual Amortization of Condoned Loans (net of Loan A- Headquarters)	₱ 12,160,164.60
Divide by Total Annual kWh Sales (for the twelve months Ending June 2002)	75,625,890_kWh
<b>Rate Reduction</b>	<b>₱ 0.1608/kWh</b>

## II. COMMISSION DISCUSSIONS AND CONCLUSIONS

### II.A.1 Loan Profile

Atty. Amando A. Fabio, Jr., QUEZELCO I's General Manager, issued a Sworn Statement/Affirmation affirming that QUEZELCO I's total loan to be condoned out of the loans with NEA is in the amount of ₱100,130,922.68.

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<sup>1</sup> Based on Annex "B" – Rate Calculation submitted by QUEZELCO I.

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

**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 QUEZELCO I for the twelve (12) months ending June 30, 2002:

<b>Customer Class</b>	<b>Total Sales (kWh)<sup>2</sup></b>
Residential	52,628,581
Small Commercial	8,703,044
Large Commercial	6,294,273
Public Building	3,868,589
Street Lights	918,971
BAPA	3,212,432
<b>Total</b>	<b>75,625,890</b>

The data on energy sales were verified because this will serve as the billing determinant<sup>4</sup> 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 QUEZELCO I in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by QUEZELCO I as the billing determinant were correct vis-à-vis its submitted MFSRs.

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<sup>2</sup> Based on Annex "A" Schedule B of QUEZELCO I's application.

<sup>3,4</sup> Billing Determinants are the units divided into a class of costs to calculate a rate element.

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

The rate reduction was computed as follows:

Annual Amortization of loans incorporated In QUEZELCO I's last approved rate (Net of Loan A- Headquarters.)	₱	
12,160,164.60		
Divide by Total Annual Sales (for the twelve months Ending June 2002)		<u>75,625,890</u>
<u>kWh</u>		
<b>Rate Reduction</b>	₱	<b>0.1608/kWh</b>

Section 2, Rule 31 of the Implementing Rules and Regulations (IRR) of R.A. 9136 specifically provides as follows:

“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).

Hence, for purposes of determining the propriety of a provisional authority, the Commission did not consider QUEZELCO I's proposal to include the required rate increase from the additional loan releases after June 26, 2001 for being inconsistent with the clear intent of the law which provides that the reduction in the rates of the electric cooperatives should be commensurate with the resulting savings due to the removal of the amortization payments of their outstanding loans as of June 26, 2001.

However, QUEZELCO I may consider filing an application for an adjustment in its existing rates even during the pendency of its application for unbundling of rates to cover its payment for the additional loan releases after June 26, 2001.

### **DISPOSITION**

**WHEREFORE**, the foregoing premises considered, Quezon I Electric Cooperative, Inc. (QUEZELCO I) is hereby granted a provisional authority to reduce its rates by ₱ 0.1608/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 QUEZELCO I 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, QUEZELCO I is hereby directed to comply with the following conditions:

- 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 (20<sup>th</sup>) 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, QUEZELCO I is directed to submit the following documents/data:

- 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 of 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.

QUEZELCO I 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.

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 April 28, 2003 at two-thirty (2:30 P.M.) in the afternoon at the BATELEC II Main Office, Antipolo del Norte, Lipa City, Batangas.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal Mayors of Agdangan, Alabat, Atimonan, Buenavista, Calauag, Catanauan, General Luna, Guinayangan, Gumaca, Lopez, Macalelon, Mulanay, Padre Burgos, Perez, Pitogo, Plaridel, Quezon, San Andres, San Francisco, San Narciso, Tagkawayan and Unisan, all in the Province of Quezon and Del Gallego, in the Province of Camarines Sur, 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.

QUEZELCO I 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 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 QUEZELCO I during the scheduled initial hearing.

SO ORDERED.

Pasig City, March 11, 2003.

**(Sgd) LETICIA V. IBAY**  
**Acting Chairman**

**(Sgd) MARY ANNE B. COLAYCO**  
**Commissioner**

**(Sgd) OLIVER B. BUTALID**  
**Commissioner**

**(Sgd) CARLOS R. ALINDADA**  
**Commissioner**

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**Copy furnished:**

1. Atty. Jorge B. Vargas  
Counsel for Applicant  
Corner Granja Lagos Street,  
Lucena City
2. Quezon I Electric Cooperative, Inc. (QUEZELCO I)  
Attn: Atty. Amando A. Fabio, Jr. – General Manager  
Brgy. Pocol., Pitogo, Quezon
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
City of Makati - 1229

4. Commission on Audit  
Commonwealth Avenue  
Quezon City - 1121
5. Fr. Jose Silva  
Administrator  
National Electrification Administration (NEA)  
NIA Road, Diliman, Quezon City
6. Senate Committee on Energy  
GSIS Building, Roxas Boulevard  
Pasay City - 1300
7. House Committee on Energy  
Batasan Hills, Quezon City - 1126
8. Power Sector Assets & Liabilities Management Corporation  
2<sup>nd</sup> Floor SGV II Building  
Ayala, Avenue, Makati City
9. The Municipal Mayor  
Alabat, Quezon
10. The Municipal Mayor  
Atimonan, Quezon
11. The Municipal Mayor  
Buenavista, Quezon
12. The Municipal Mayor  
Calauag, Quezon
13. The Municipal Mayor  
Catanauan, Quezon
14. The Municipal Mayor  
General Luna, Quezon
15. The Municipal Mayor  
Gunayangan, Quezon
16. The Municipal Mayor  
Gumaca, Quezon
17. The Municipal Mayor  
Lopez, Quezon
18. The Municipal Mayor  
Macalelon, Quezon
19. The Municipal Mayor  
Mulanay, Quezon
20. The Municipal Mayor  
Padre Burgos, Quezon
21. The Municipal Mayor  
Perez, Quezon

22. The Municipal Mayor  
Pitogo, Quezon
23. The Municipal Mayor  
Plaridel, Quezon
24. The Municipal Mayor  
Quezon , Quezon
25. The Municipal Mayor  
San Andres, Quezon
26. The Municipal Mayor  
San Francisco, Quezon
27. The Municipal Mayor  
San Narciso, Quezon
28. The Municipal Mayor  
Tagkawayan, Quezon
29. The Municipal Mayor  
Unisan, Quezon
30. The Municipal Mayor  
Del Gallego, Camarines Sur
31. HON. ERNESTO PABLO  
House of Representatives  
Batasan Hills, Quezon City