

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. 2003-117

SURIGAO DEL SUR I ELECTRIC
COOPERATIVE, INC. (SURSECO I),
Applicant.

x- - - - -x

O R D E R

Before this Commission for resolution is the application filed on March 18, 2003 by applicant Surigao del Sur I Electric Cooperative, Inc. (SURSECO I) 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, SURSECO I prayed that the rate reduction equivalent to ₱0.2453/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, SURSECO I 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 ₱98,550,938.24 as SURSECO 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 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 SURSECO I, and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by SURSECO I's General Manager, Engr. Rafael J. Rabaya, confirming that the amount of ₱98,550,938.24 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.

SURSECO 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 City within SURSECO I's area of coverage; and b) the affidavit of publication executed by Mr. Jose O. Climaco, Jr, Managing Editor of Ang Mantalaan – the Caraga Patrol, attesting to the publication of the Notice of Application.

I. SUMMARY OF SURSECO I's APPLICATION

SURSECO I's proposed rate reduction was computed as follows¹:

Annual Amortization of Assumed Loans	₱ 11,209,810.32
Divide by Annual kWh Sales (for the twelve months Ending June 2002)	<u>27,254,999 kWh</u>
Rate Reduction	₱ 0.4113/kWh
Less: Amortization cost for loans not included in the Condonation and loan releases from June 27, 2001 to December 31, 2002	0.1660
Net Rate Reduction	₱ 0.2453/kWh

¹ Based on Annex "B" – Rate Calculation submitted by SURSECO I's

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1 Loan Profile

Engr. Rafael J. Rabaya, SURSECO I's General Manager, issued a Sworn Statement/Affirmation confirming that SURSECO I's total loans to be condoned out of the loans with NEA is in the amount of ₱98,550,938.24.

The NEA Loan Profile submitted by SURSECO 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 SURSECO I for the twelve month ending June 30, 2002:

Customer Class	Total Sales (kWh)²
Residential	13,365,468
Commercial	7,710,443
Industrial	1,992,842
Public Building	1,520,840
Street Lights	499,979
BAPA	2,165,426
Total	27,254,999

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 SURSECO I

² Based on Annex "A" Schedule B of SURSECO I's application.

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

in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by SURSECO I 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 SURSECO I's last approved rate (₱ 557,174.66 x 12)	₱ 6,686,095.92
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>27,254,999 kWh</u>
Rate Reduction	₱ 0.2453/kWh

Section 2, Rule 31 of the Implementing Rules and Regulations (IRR) of R. A. 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, Surigao del Sur I Electric Cooperative, Inc. (SURSECO I) is hereby granted a provisional authority to reduce its rates by ₱0.2453/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 SURSECO 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, SURSECO 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 (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, SURSECO I is directed to submit the following requirements 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.

SURSECO 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 June 10, 2003 at ten thirty (10:30 A.M.) in the morning at ANECO's Conference Room, Jose Aquino Avenue, Butuan City, Agusan del Norte.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal/City Mayors of Barobo, Bislig City, Hinatuan, Lianga, Tagbina and Lingig, all in the Province of Surigao del 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.

SURSECO 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

ERC CASE NO. 2003-117

Order/ April 1, 2003

Page 10

newspapers, should be submitted to the Commission by SURSECO I on the date of the initial hearing.

SO ORDERED.

Pasig City, April 1, 2003.

(Sgd) LETICIA V. IBAY
Acting Chairman

(Sgd) MARY ANNE B. COLAYCO
Commissioner

(ON OFFICIAL BUSINESS)
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
4. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City 1307

ERC CASE NO. 2003-117

Order/ April 1, 2003

Page 11

5. House Committee on Energy
Batasan Hills, Quezon City 1126
6. The City Mayor
Bislig City 8311
7. The Municipal Mayor
Barobo, Surigao del Sur 8309
8. The Municipal Mayor
Hinatuan, Surigao del Sur 8310
9. The Municipal Mayor
Liangá, Surigao del Sur 8307
10. The Municipal Mayor
Tagbina, Surigao del Sur 8308
11. The Municipal Mayor
Lingig, Surigao del Sur 8312
12. Surigao del Sur I Electric Cooperative, Inc.
San Fernando, Bislig City, Surigao del Sur 8311
13. National Electrification Administration
NIA Road, Diliman, Quezon City 1128
14. Congressman Ernesto C. Pablo
House of Representatives
Batasan Hills, Diliman, Quezon City 1126