

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. 2003-89

SIARGAO ELECTRIC COOPERATIVE,  
INC. (SIARELCO),

Applicant.

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***O R D E R***

Before this Commission for resolution is the application filed on March 10, 2003 by applicant Siargao Electric Cooperative, Inc. (SIARELCO) 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, SIARELCO prayed that the rate reduction equivalent to ₱0.1591/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, SIARELCO 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 ₱246,677,059.07 as SIARELCO'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 SIARELCO, and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by SIARELCO's Managing Consultant, Mr. Sergio C. Dagooc confirming that the amount of ₱246,677,059.07 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.

SIARELCO 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 within SIARELCO's area of coverage; and b) the affidavit of publication executed by Mr. Rodrigo S. Catoto, Publisher of Mindanao Enquirer, attesting to the publication of the Notice of Application.

## **I. SUMMARY OF SIARELCO's APPLICATION**

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

Annual Amortization of Condoned Loans	₱ 770,640.00
Divide by Total Annual kWh Sales (for the twelve months Ending June 2002)	<u>4,843,001 kWh</u>
<b>Rate Reduction</b>	<b>₱ 0.1591/kWh</b>

## **II. COMMISSION DISCUSSIONS AND CONCLUSIONS**

### **II.A.1 Loan Profile**

Mr. Sergio C. Dagooc, SIARELCO's General Manager, issued a Sworn Statement/Affirmation confirming that SIARELCO's total loans to be condoned out of the loans with NEA is in the amount of ₱246,677,059.07.

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<sup>1</sup> Based on Annex "B" – Rate Calculation submitted by SIARELCO

The NEA Loan Profile submitted by SIARELCO 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 SIARELCO for the twelve (12) month ending June 30, 2002:

<b>Customer Class</b>	<b>Total Sales (kWh)<sup>2</sup></b>
Residential	3,673,588
Commercial	552,518
Industrial	51,760
Public Building	348,451
Street Lights	203,424
Special Lights	13,260
<b>Total</b>	<b>4,843,001</b>

The data on energy sales were verified because this will serve as the billing determinant<sup>3</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 SIARELCO in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by SIARELCO 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:

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

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

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Annual Amortization based on the amortization cost incorporated, In SIARELCO's last approved rate (₱ 64,220.00 x 12)	₱ 770,640.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>4,843,001 kWh</u>
<b>Rate Reduction</b>	<b>₱ 0.1591/kWh</b>

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, Siargao Electric Cooperative, Inc. (SIARELCO) is hereby granted a provisional authority to reduce its rates by ₱0.1591/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 SIARELCO 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, SIARELCO 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, SIARELCO 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.

SIARELCO 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 nine o'clock (9:00 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 Mayors of Burgos, Dapa, Del Carmen, Gen. Luna, Pilar, San Benito, San Isidro and Sta. Monica, all in the Island of Siargao, Province of Surigao del Norte, 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.

SIARELCO 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 SIARELCO 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

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**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
5. House Committee on Energy  
Batasan Hills, Quezon City 1126
6. The Municipal Mayor  
Burgos, Siargao Island, Surigao del Norte 8424
7. The Municipal Mayor  
Dapa, Siargao Island, Surigao del Norte 8417
8. The Municipal Mayor  
Del Carmen, Siargao Island, Surigao del Norte 8418
9. The Municipal Mayor  
Gen. Luna, Siargao Island, Surigao del Norte 8419
10. The Municipal Mayor  
Pilar, Siargao Island, Surigao del Norte 8420
11. The Municipal Mayor  
San Benito, Siargao Island, Surigao del Norte 8423

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12. The Municipal Mayor  
San Isidro, Siargao Island, Surigao del Norte 8421
13. The Municipal Mayor  
Sta. Monica, Siargao Island, Surigao del Norte 8422
14. Siargao Electric Cooperative, Inc.  
Dapa, Surigao del Norte 8417
15. National Electrification Administration  
NIA Road, Diliman, Quezon City 1128
16. Congressman Ernesto C. Pablo  
House of Representatives  
Batasan Hills, Diliman, Quezon City 1126